UNITED NATIONS

ECONOMIC SURVEY OF ASIA AND THE FAR EAST 1954

Also issued as Vol. V, No. 4 of the
ECONOMIC BULLETIN FOR ASIA AND THE FAR EAST,
February, 1955

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DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS

ECONOMIC SURVEY OF ASIA AND THE FAR EAST 1954

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Prepared by the
SECRETARIAT
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LETTER OF TRANSMITTAL

Bangkok, Thailand
8 February 1955

Sir,

In November 1947 during its second session the Economic Commission for Asia and the Far East adopted a resolution E/CN.11/63 which recommended that the secretariat publish a comprehensive annual survey of economic conditions and problems of the countries within the scope of ECAFE.

In accordance with the above resolution, I have the honour to transmit to you the eighth *Survey* prepared by the secretariat on its own responsibility. The Commission is aware that the views expressed in the *Survey* should not be attributed to the Commission or to its member governments.

This *Survey*, following the pattern set in the 1953 Survey, gives for the second time time an analysis of recent economic developments in individual countries of the region, in addition to a regional treatment of these developments. It includes a chapter on Afghanistan which has, in accordance with the Commission's terms of reference amended by the Economic and Social Council, come within the geographic scope of ECAFE.

I have the honour to be, Sir
Your obedient servant,
(*signed*) P. S. LOKANATHAN
Executive Secretary
Economic Commission for Asia and the Far East

The Honourable Dag Hammarskjöld,
Secretary-General,
United Nations, New York.

GENERAL EXPLANATORY NOTES

Fiscal Year

Fiscal years in force in ECAFE countries: Afghanistan: year ending March; Burma and Ceylon: year beginning 1 October; Hong Kong, India, Japan, Korea (Republic of), Nepal and Pakistan: year beginning 1 April; China (Taiwan only) and the Philippines: year beginning 1 July; British Borneo (Brunei, North Borneo, Sarawak), Cambodia, mainland China, Indonesia, Laos, Malaya (Federation of), Singapore, Thailand and Viet-Nam: calendar year.

Special Tables

In order to avoid duplication, statistical tables on national income, population, agriculture, transport, public finance and balance of payments are generally not reproduced in the text of the 1954 *Survey*, since they are published in special tables in the section on "Asian Economic Statistics" at the end of the *Survey*. For these and other tables components do not always add up to totals because of rounding.

Charts

For statistics used in preparing the charts, please refer to relevant tables in the section on "Asian Economic Statistics".

United and Symbols

Unless otherwise stated "tons" relate to metric tons, and "dollars" to United States dollars.

The following symbols have been used throughout:

* = average of six to eleven months.
‡ = 12 months beginning April of the year stated.
† = 12 months ending September of the year stated.
ø = 12 months ending June of the year stated.
I, II, III, and IV for quarters of years.
§ = end of period.
Mn = million.
.. = not available.
— = nil or negligible.
r = revised figures.
Figures in italics are provisional.

Currencies

The following table shows symbols and exchange rates at the end of September 1954 of national currencies of countries in the ECAFE region except Nepal. Official rates are given for these countries except China (Taiwan only) for which the certificate rate is used, and Thailand for which the free market buying rate is used.

Country	Currency	Symbol	U.S. cents per unit of currency at end of Sept. 1954
Afghanistan	Afghanis	Afg.	5.882
Burma	Kyat	K.	21.00
Cambodia, Laos and Viet-Nam	Piastre	Pr.	2.857
Ceylon	Rupee	Rs.	21.00
China			
Taiwan	New Taiwan Dollar	NT$	6.43
Mainland	People's Bank Yuan	PBY	4.27 per thousand
Hong Kong	Hong Kong Dollar	HK$	17.50
India	Rupee	Rs.	21.00
Indonesia	Rupiah	Rp.	8.772
Japan	Yen	Y	0.2778
Korea (Republic of)	Hwan	H.	0.5555
Malaya and British Borneo	Malayan Dollar	M$	32.67
Pakistan	Rupee	Rs.	30.22
Philippines	Peso	P.	50.00
Thailand	Baht	Bcht.	4.613

Sources

Unless otherwise stated, figures used in tables of the 1954 Survey are from the United Nations Statistical Office, other international sources or official national sources.

ECONOMIC SURVEY

OF

ASIA AND THE FAR EAST 1954

INTRODUCTION

I

The substantial economic progress achieved by most countries of the region during 1954 has been recorded in the *Survey* in the regional section as well as in the individual country chapters. Increases in agricultural production in those countries have been most significant in the case of foodgrains for which the 1954 figure was 11 per cent above the 1934-38 level. This progress was not merely the result of adventitious causes like favourable weather conditions, but reflected to some extent the success of efforts to increase the yield and extend the area under foodgrains.

Increased domestic availability of foodgrains in deficit countries reduced import needs for current consumption and enabled them to save considerable foreign exchange on imports. The demand for rice export from the region was kept down not only by the improved supply position in deficit countries, but also by the relatively higher export prices of rice vis-a-vis other foodgrains and the availability of foodgrains on concessional terms from the United States. As a consequence, the traditional rice-exporting countries of the region, which had on hand greatly increased exportable surpluses in the beginning of the year, faced problems of sales abroad and falling government revenues and foreign exchange earnings as also large carry-ever stocks at the end of the year. Of greater concern from the long-term point of view is the fact that in the rice-deficit countries, the gap between domestic availability and requirements is being steadily reduced through increasing outlays on domestic production, sometime regardless of cost. Reduced rice exports from the traditional exporting countries could result ultimately in their reduced capacity for absorbing export products of some of the rice-deficit countries. Obviously the situation calls for closer understanding between the traditional rice exporting and importing countries with a view to conserving and even expanding the demand for reasonably priced rice. This could pave the way for re-orientation of development plans in the countries of the region with a view to ensuring the best possible use of factors of production.

In marked contrast to rice, of which supplies exceeded effective demand and price showed a marked decline, most other agricultural export commodities fared appreciably better. Owing to improved export demand, prices of tea, rubber, cotton and jute were, during the major part of 1954, well above the levels of 1953. Although these price increases came as a welcome relief to the exporting countries and production too was stimulated, yet from the long-term point of view the uptrend of tea and rubber prices carries with it its own dangers. For owing to competition of substitute products, technical progress or other factors, this upswing might at some stage be followed by a sharp drop with its attendant problems of adjustment for the exporting countries. Two commodities that were affected by price declines were copra and sugar. However, increases in the volume of exports of copra and copra products from the major producing countries and of sugar from the Philippines were redeeming features.

Progress in industrial production has been more rapid than in agricultural production and was the result both of a fuller utilization of existing capacity and of the addition of new facilities and new lines of production. While total consumption of cotton piecegoods of the region (excluding mainland China) had risen from 5,600 million metres in 1951 to 7,500 million metres in 1954, increase in their total production during this period was even more pronounced, from 5,900 million metres to 8,100 million metres thus making it possible to increase their net exports. In the case of steel ingots production, which is concentrated in Japan, mainland China[1] and India, the region's output is estimated to have approached 11 million tons in 1954 as compared with 4.6 million tons in 1949. Cement production in the region is estimated to have exceeded 22 million tons in 1954, recording an increase of 15 million tons over the 1949 level. The emphasis being laid on the development of electric power and chemical fertilizers is again reflected in the increase in their production. Tangible results have also been achieved in the field of transport as a result of heavy development expenditure, and are reflected in increases in rolling stock, in length of railway networks, in road mileage and in the handling capacity of ports.

On the other hand, the region's international balance of payments has not been equally satisfactory. The aggregate foreign exchange assets of countries[2] for which data are available were 11 per cent lower in June 1954 than at the end of 1952, though there was some improvement in the second half of 1954. The unsatisfactory foreign exchange position was due to factors affecting both exports and imports. Some exports, especially rice and sugar, face a buyers' market and owing to strategic, technical and other factors, some others find increasing difficulties and uncertainty in respect of markets and prices. The constant fluctuations in the prices of the region's major exports render export earnings highly unstable and readjustment of imports obviously cannot be quick or effective. On the other hand, the level of imports of many countries of the region was substantially higher than before the Korean-war boom. This, together with the usual deficit on service account, was in excess of export earnings, with many countries in the region necessarily drawing upon their exchange reserves, in addition to utilizing external aid.

With export earnings of twelve ECAFE countries[3] running at about $5,400 million in 1954 and with no large prospects of securing higher export earnings except under conditions of unstable export prices, the limits to essential imports are soon set. The efforts to increase development

1. On the nature of official statistics and estimates emerging from mainland China and quoted throughout this *Survey*, see *infra*, chapter 10 on China, section II on the mainland, sub-section on 'Nature of statistics and estimates.'
2. Includes Burma, Cambodia, Ceylon, India, Indonesia, Japan, Korea (south), Laos, Pakistan, the Philippines, Thailand and Viet-Nam.
3. Includes Burma, Cambodia, Ceylon, China: Taiwan, Hong Kong, India, Indonesia, Japan, Laos, Pakistan, the Philippines and Viet-Nam.

expenditures run up against serious difficulties, and unless large foreign aid becomes available they are bound to be frustrated. The ratio of exports to imports in these countries, which was 1.1 in 1950, declined to 0.78 in the first half of 1954. The terms of trade, which during the Korean-war boom had become exceptionally favourable, could offer no permanent solution, even if they were more favourable than in 1954. In 1954, while the terms of trade of Ceylon improved substantially and those of India and Pakistan slightly, those of the rice exporting countries, Malaya and the Philippines grew considerably worse.

This chronic shortage of foreign exchange resources led to severer import and payments restrictions in several countries, accompanied by several measures for export promotion in almost all countries of the region. The desire to relax import controls, expressed by most of the countries, has not been translated adequately into action on account of the imperative needs of expenditure for development and other purposes. The inadequacy of foreign exchange earnings in the face of an expanding volume of import requirements is a pressing foreign trade problem thrown up by economic development.

Central government expenditure continued to expand even after the collapse of the Korean-war boom. In 1954, government expenditure in most countries of the region except Ceylon and Japan continued to increase, owing mainly to larger developmental expenditures. It is worth noting that, in spite of declining financial resources and other difficulties almost all countries of the region either maintained or increased development expenditures as compared to previous years. Total expenditure of the governments of Burma, Ceylon, India, Malaya and British Borneo and Pakistan on development programmes has shown an increase in 1954/55 of more than 30 per cent over 1952/53. In recent years, with greater emphasis on rapid economic development, government expenditure for investment purposes has increased in importance and is now larger than defence expenditure in Afghanistan, Burma, Ceylon, mainland China, Hong Kong, India, Japan, the Federation of Malaya, Pakistan and the Philippines. Many countries of the region experienced fluctuations in government revenue during and after the Korean-war boom. During the boom, the relative importance of customs duty as a source of revenue increased in most countries because of the rapid increase of exports and imports as well as the increases in export duties levied by several countries. With the collapse of the boom, revenue from this source declined and by 1953 or 1954 was relatively less important than before the boom in Ceylon, the Federation of Malaya and Pakistan. Governments are increasingly aware of the necessity of having a suitable tax structure with some stability to meet the needs of economic development and at the same time some flexibility to counteract economic fluctuations.

Comparatively, monetary stability prevailed in more countries of the region in 1954 than in any other post-war years. In most of the raw-material exporting countries, the process of adjustments to the decline in export earnings at the end of Korean-war boom appeared generally to have been completed by 1953. In 1954, these countries benefited generally from an improvement in the food situation which contributed to the price stability and an increase in real income. The Philippines witnessed a trend toward monetary contraction through government financial operations in 1953 and 1954, while there has been a comparatively large budget deficit, in Indonesia since 1952 and in Pakistan since 1952/53.

In India, the rather high rate of growth in real income was explained partly by record food crops and partly by the normal rate of increase in industrial production. Although money supply increased during 1953/54 in accordance with the growing requirements of a developing economy—the increase being sustained over the calendar year 1954—the wholesale-price index fell rather sharply during 1953/54 as a result of the decline in food prices. Cost-of-living index also fell, in response to the fall in the wholesale price index. In Japan a policy of monetary restriction was adopted before the end of 1953 with a view to correcting the balance-of-payments deficit. The inflationary trend was halted in early 1954. While the money supply levelled off and the wholesale-price index fell slightly, industrial production continued to increase through the year.

The general improvement in the food situation has brought about a decline in export earnings of the rice-exporting countries. The world market price of rice fell substantially in 1953 and 1954 and this tended to affect unfavourably the domestic income of the rice-exporting countries. In Cambodia and Viet-Net internal prices of rice fell more than export prices, while in Thailand and particularly in Burma the fall was appreciably less. Further, in both Burma and Thailand, the government deficit largely offset this deflationary effect. In Hong Kong the deflationary influence came from the decline in entrepot trade but was, to some extent, compensated by an increase in exports of domestic products.

With the cease-fire in mid-1954 the inflationary economic situation in the three states of Cambodia, Laos and Viet-Nam had eased somewhat. This, coupled with the possible decline in farm income and larger foreign aid, contributed to the levelling off of inflation in these countries. In the Republic of Korea, however, the aftermath of war and the continuing large defence expenditure have accounted mainly for the sustained inflationary trend. In China: Taiwan, although defence expenditure is still large, price levels have shown remarkable stability since 1953 mainly on account of increased production, improved tax revenue and continued foreign aid.

II

Further evidence of the progress achieved is given by the fact that the *per capita* real income in several ECAFE countries has shown increases since the end of the war. There were, of course, special favourable conditions to accelerate the increase in income, some of which are not of a recurrent nature. Among those countries whose *per capita* incomes have shown large increases since the end of the war are Burma, Japan, the Philiippines and China: Taiwan, all of which had suffered heavy losses during the war, and the comparatively rapid increase is largely a recovery through reconstruction. In addition, they all received foreign aid; and Japan also benefited from foreign military expenditures and United States off-shore purchases.

Nevertheless, despite the considerable efforts made in the post-war years to increase output and raise the levels of living, most of the countries of the region find themselves, nearly a decade after the end of the war, either with lower *per capita* real incomes than before the war or with real incomes which are barely at pre-war levels. In 1953 the *per capita* real income in Japan exceeded the pre-war (1934-36) level by about 5 per cent, while in Burma it was still 30 per cent below it. For other countries of the region, such as Ceylon, Malaya and Thailand, the *per capita* real income increased

rapidly during the Korean-war boom, but declined after the boom. The recent estimated increase in the *per capita* real income in India is due to a large extent to the poor weather conditions in previous years which lowered the base for comparison. Taking the region as a whole and judging from the *per capita* production of foodgrains, the most important consumption item in the region, *per capita* real incomes are still probably below the pre-war level, suggesting a state of relative stagnation. Other evidence based on such data as are available in regard to consumption of non-food items also confirms this general conclusion.

There has been no marked shift in the occupational distribution of the population in ECAFE countries. The percentage of population still dependent upon agricultural occupations remains as high as before. In spite of the marked increase in development expenditures, there has been no evidence that the economy has undergone any appreciable diversification. Even within the agricultural sector the specialiation that has been characteristic of the economies of some of the countries continues; the efforts to bring about a better balance between food and non-food items have not been attended with marked success. This is due in part to a legitimate doubt as to whether, under the special economic conditions of some of these countries, a policy of diversification would prove more profitable than specialization, except as a distant goal.

The problems of development in the countries of the ECAFE region are in some respects different from those of certain other under-developed areas and present features characteristic of old countries with rich tradition but with social and other mores that cannot be rapidly altered. The region is by and large an area of high population pressures and high density of population per cultivated square kilometre. Unemployment and under-employment are widely prevalent in ECAFE countries and governments must therefore have recourse to labour intensive projects with a view to maximum utilization of their huge manpower resources and economizing on capital. The training of labour of all grades, not the importation of skills, is their main pre-occupation. Owing to a number of causes the inflow of private capital from outside has greatly diminished in the post-war period and there is no immediate prospect of a large inflow of foreign private capital. During the brief period of the Korean war boom they enjoyed the benefits of highly favourable terms of trade, but these were short-lived and could not be effectively availed of. Above all, several countries of the ECAFE region were heavily damaged by the war, and most of the efforts of governments have only resulted in restoring and reconstructing their war damaged economies so that even as of today their *per capita* real incomes have shown no marked increases.

III

While the growth of population is one of the major factors affecting economic development it cannot be regarded as the fundamental cause of the slow progress of it. With the exception of Ceylon, the Republic of Korea and mainland China, whose rates of increase are estimated respectively at 3, 3 and 2 per cent per annum, the rate of increase of population in ECAFE countries, contrary to the widely-held belief, is not greater than in the developed countries. Its significance, however, lies in the fact that even the normal increase in population over already high levels adds to the gravity of the problem. For example, in countries where there is already a high pressure of population on land, even the efforts to maintain existing levels of living involve a large programme of industrialization with correspondingly large capital investments.

Not all countries in the ECAFE region, however, are confronted with this problem, but even among those in which the population pressure is not acute, the need for considerable capital investment in agriculture and industry is urgent if they are to raise the standards of living of the people, which are at present very low. To satisfy the need of the farming community for manufactured goods and to sustain the demand for increased agricultural output industrialization is required. In both sets of circumstances, therefore, industrialization and agricultural improvement have each to be pursued, though there are differences in emphasis. The capital required for rapid economic development to maintain, and if possible to increase, the levels of income is thus a major problem.

Several estimates have been made concerning the capital requirements of ECAFE countries. The amount of capital required for development depends on the present income levels, the desired rate of growth and the various factors affecting the capital/output ratio of investment. Statistics of capital stock are not available in ECAFE countries and a reasonable estimate of the capital—output ratio is therefore more difficult. However, on the basis of the limited knowledge of the technical coefficients of certain industries some estimates have been made of the amount of additional investment required in a given period to bring about a defined increase in annual income. The marginal capital/output ratio, according to the target of the draft Indian five-year plan, is 3, and that of the draft eight-year plan of Burma is 2.5. Recent national income statistics from Burma and Japan show that the marginal capital/output ratio is about 2. These ratios cannot be considered as decisive for planning, for during a period of recovery after destruction or dislocation small capital investments may be statistically associated with large increases of income. However, the average capital/output ratio of Latin American countries is between 1.9 and 2.3, while the marginal capital/output ratio averages 2.5 excluding Argentine and 3.0 with Argentine included. The manufacturing census of India also shows that the average ratio between capital and value added in factory manufacturing industries, even taking into consideration the under-valuation of capital, may not be larger than 2.5.

The capital/output ratio depends not only on the methods of production, but also on the nature of the sectors which have been or are to be developed. Further research in this field is likely to be highly rewarding. There can be no doubt that the agricultural sector in this region usually requires less additional capital investment per unit of additional output; so does the development of cottage and small-scale industries on which the region has laid much emphasis. Indeed, when the *per capita* income is low and when it is found undesirable to let the people sacrifice too much, planners in countries with large surplus labour may sometimes, in the initial period of development, put special emphasis on those sectors or projects which have lower capital/output ratios. However, to serve and facilitate these economic activities, related fields of development requiring higher capital/output ratios, such as transport and power, will have to be developed. Thus, with a given technology, there is a limit to lowering the capital/output ratio in development planning.

At the present stage of statistical knowledge in the ECAFE region, estimates of capital/output ratios and estimates of national and *per capita* income (especially when expressed in a single currency unit) must be treated with great reserve. However, if for purposes of illustration we assume an over-all capital/output ratio of 2.5, at least a rough estimate of capital requirement for the region may be made. With an average *per capita* income—taking into consideration the under-estimation especially in the non-market sectors—of about $100 for the region, capital required to maintain the same level of income for each additional person in the population may be about $250. With a population of 1,200 million increasing at an annual rate of 16 per thousand, total net new capital requirement to maintain the present level of living is $4,800 million per annum, equivalent to 4 per cent of the total national income or $4 per person. A rate of increase of 2 per cent per annum in the *per capita* income would require in the initial period a capital investment of about $10,800 million per annum, equivalent to 9 per cent of the national income or $9 per person. The amount required for subsequent years would increase as population and national income increased. If a higher capital/output ratio, say 3.5, is assumed, the same rate of increase of income would require net new capital investment of about $15,000 million, equivalent to 12.5 per cent or $12.50 *per capita* of the national income. At a constant rate of increase of 2 per cent per annum, it would take 35 years to double the *per capita* income, which is by no means an ambitious target. If the capital/output ratio of 2.5 is assumed and if Japan and mainland China are excluded, the net new capital requirement in the initial period for the rest of the region to provide growth of income at the rate of 2 per cent per annum may be estimated at $5,000 million.

However conservative the estimate of capital requirement may be, the current rates of capital formation in the ECAFE region are insufficient for the desired economic development. Statistics of capital formation are meagre or are not available for most of the countries. Net capital formation in recent years is highest in Japan where it is more than 20 per cent of the national income. This is high even in comparison with countries in other regions, but much of it is induced by inflation. Net capital formation in Burma, which was 14 per cent of national income in 1953, may also be regarded as satisfactory, but it is doubtful if this rate can be maintained. In other countries, however, gross and net savings are much lower. In spite of the rapid growth of national income in the Philippines after the war, net capital formation was only 6 or 7 per cent of the national income in 1947-49 and about 2 per cent in 1951-53. Unofficial estimates for India for 1949-50 have placed the gross capital formation at about 10 per cent of national income; net capital formation may be as low as 5 per cent. Hong Kong's estimate of net capital formation is about 8 per cent of the national income in 1949-50. In Indonesia capital formation has been negligible in recent years. The same seems to be the case in the three States of Cambodia, Laos and Viet-Nam.

In the countries of the region, excluding mainland China and Japan, the gap between the needed $5,000 million and the available savings which may be estimated at less than $2,000 million per annum must, therefore, come from external sources. At present the total annual amount of external financial resources from all sources may be estimated at less than $1,000 million. There is thus an investment gap of over $2,000 million per annum in the initial years; but thereafter, as income increases, domestic capital formation may be expected increasingly to fill the gap. From the point of view of foreign aid and investment, therefore, an assured annual inflow of foreign capital of about $3,000 million (instead of the present $1,000 million) for a period of five to seven years might make all the difference between a stagnant economy and an expanding one.

The inflow of private foreign capital has not been large; there had been a net outflow of private foreign capital if account be taken of the transfer of interest and profit in some countries. But there has been a welcome trend in the right direction during the last two years. With a view to facilitating the inflow of private foreign capital and improving the climate for private foreign investment, most countries in the region have reviewed during the last one or two years their laws and regulations governing private foreign investment. Special efforts have also been made to ensure the participation of private foreign capital in particular ventures, for example in the Sui gas project in Pakistan, in the manufacturing fields in Burma, in the oil refineries in India, and more recently in the establishment of an industrial credit and investment corporation in India. But private foreign capital alone cannot fill the gap.

IV

The major domestic sources of finance for government developmental expenditures have been the current surpluses in the government budget, receipts from flotation of bonds and small savings made available to the government through savings certificates, postal and other financial institutions, etc. During the Korean-war boom in 1950 and 1951 more than half of government development expenditures in most countries of the region was financed by budget surpluses on current account. In some countries, such as Afghanistan, Burma, the Federation of Malaya, Pakistan, the Philippines and Singapore, current surpluses were even larger than development expenditures. With the collapse of the Korean-war boom, the proportion of government development expenditures financed by current surpluses declined rapidly and were less than half in most countries of the region by 1954. In some countries, such as Laos (1953), Nepal (1951/52 and 1952/53), the Federation of Malaya (1954), Pakistan (1952/53—1954/55), Thailand (1953) and Indonesia (1952-54), there were deficits even on current account. In Ceylon and the Philippines, however, although the share of development expenditures financed by current surpluses was reduced during the collapse of the boom, the current surpluses had by 1954 increased again and financed most of the development expenditures.

One way of securing larger current surpluses to finance government development expenditures is to raise additional revenues through improved tax administration and collection and by finding new methods of taxation. A second way is by reducing non-development expenditure. Here again, in recent years, greater emphasis has been laid on development expenditure in many countries and the proportion of defence expenditure to total expenditure has been diminishing.

Except in a few countries, receipts from bond sales have not been of much importance in financing government development expenditures. Net subscriptions to government bonds by non-central bank sources have financed less than 10 per cent of government development expenditures in many

countries including Burma, India, Indonesia and Pakistan. In Japan, however, they have financed between a quarter and a half of government development expenditure. In Thailand they were important only between 1951 and 1953, while in 1954 about 90 per cent of the increase in public debt was absorbed by the Bank of Thailand.

Small savings, including postal savings and savings certificates, have financed a significant part of government development expenditures in some countries such as India and Pakistan. In India, in the first two years of the plan (1951/52—1953/54), small savings contributed Rs 1,145 million towards financing government development expenditure out of available total domestic financial resources of Rs 5,716 million consisting of budget surpluses on current accounts, rupee loans, small savings and other miscellaneous receipts. In Pakistan, the total sale of savings certificates during 1953/54 was Rs 23.5 million as against Rs 19.2 million during 1952/53.

Corporate savings to finance private capital formation have been adequate only in Japan and to a lesser extent in India and Pakistan, though in India some difficulties have been experienced in mobilizing equity capital for risky ventures. Private ploughing back of profits has financed the textile industry in Afghanistan and Pakistan. Issues of shares in capital markets have financed private capital formation mainly in Japan, India and Pakistan. In Pakistan, because of the recent growth of savings habits, a number of security flotations were over-subscribed in 1954. In India, the net increase in paid-up capital of all joint-stock companies between 1951/52 and 1953/54 amounted to Rs 1,388 million.

Time deposits in commercial and savings banks have helped to increase personal savings in most countries of the region, but the amounts collected have been rather meagre and only a part of such savings has been mobilized to finance private capital formation. Life insurance premia are also another way of mobilizing savings, but these again have not been of much significance.

Many new financial institutions have been established for channelling both private and governmental savings into investment, especially during the last two years. Thus in Afghanistan, the government in 1953/54 established the State Agricultural Bank with a capital of Afg 150 million to supply cheap credit. It also established the State Commercial Bank with a capital of Afg 120 million and a Construction and Loan Bank with Afg 60 million. In Burma, the State Agricultural Bank which opened in June 1953 expanded its operation in 1954, while the State Commercial Bank was opened in July 1954 with an authorized capital of K 50 million. The government approved the establishment of a State Co-operative Bank with a share capital of K 1.5 million. In India, two new corporations for industrial financing, namely the Industrial Development Corporation and the Industrial Credit and Investment Corporation, have been established. In Pakistan, the House Building Finance Corporation commenced operation during 1953 and by June 1954 it had sanctioned 308 loans totalling Rs 4.1 million. The Agricultural Development Finance Corporation set up in 1952 commenced business in March 1953.

V

The limited capital resources available for investment, together with other limiting factors, have certainly influenced the pattern of economic development in the region. In countries where the pressure of population on land is very high and under-employment is a chronic problem, the criterion for selection of projects is not merely the growth of income, but the absorption of labour. Hence cottage and small-scale industries are receiving due attention. Even if capital were relatively more abundant than now, the pattern of industrial development in the region would still be different from that in other developed countries.

The weight of cottage and small-scale industries in the total industrial production in the countries of the region is likely to be maintained even when industrialization grows. Western technology, which is generally based on labour-saving devices, is not always suitable for the under-developed but over-populated countries in this region. What is needed is adaptation of machinery and equipment to suit the special needs of the under-developed countries with scarce capital and abundant labour. Increasing research is essential both in the countries exporting small machines and tools and in importing countries. State aid to cottage and small-scale industries has grown significantly and taken several forms—organizational, financial and technical.

Another method of economizing on capital and fuller utilization of man-power resources is the organization of community projects designed to promote agricultural and economic development, particularly in rural areas, through the utilization of the voluntary free labour of the people. This policy has been carried out most extensively in India, Ceylon, Burma, Pakistan and mainland China. Provided the labour is really surplus and voluntary, the results would be highly favourable. In India land-owners contribute land for building roads, and wage-earners contribute free labour for various constructions. In many countries minor irrigation works are repaired and other small projects are carried out. The whole community is interested in these projects, enjoys the work and has a sense of satisfaction. Probably significant additions to the national income have accrued from numerous little projects developed under the community schemes, although no precise estimates are possible. The movement is growing in the region and the development of community projects may perhaps be a partial answer to the scarcity of capital and to the abundance of manpower.

Unlike mainland China, which has concentrated its efforts on the establishment of heavy industries and the rapid creation of necessary transport and power facilities, even at the cost of lowering the present consumption level, or at least delaying its increase, most of the countries of the region have, in addition to basic services such as transport and power, concentrated their development programmes on irrigation and flood control measures designed to increase the output of agriculture and on expanding the capacity of agricultural export and other industries. They have followed a policy of maintaining current consumption and therefore have naturally proceeded slowly with the programme of industrialization. The development of consumer goods industries has generally been left to the private sector. This emphasis on basic services, agriculture and consumer goods industry, while it may not bring about rapid economic development, has laid foundations for future progress by increasing national income and future savings. Naturally, once savings grow and foreign resources become available, the emphasis will have to be shifted, as soon as the bases of the economies have been sufficiently strengthened, in order to bring about accelerated economic development.

Countries like Ceylon, Malaya and the Philippines, which are dependent upon the export of raw materials, have been confronted with the problem of diversifying their agricultural economies with a view to reducing the heavy dependence upon a few export crops. Because of the fluctuations in world demand and prices of certain export products and therefore in national income, and occasional difficulty in obtaining essential imports (including rice), these countries naturally desire to turn to diversification and industrialization as a means of reducing their excessive dependence on the world's markets. But the advantages of diversification may sometimes be secured at too high a price, if the alternative fields of production lack long-run comparative advantages. This is specially so for small countries whose domestic demand is not sufficient to maintain many industries at their optimum size. On the other hand, industrialization and diversification cannot be avoided as a long-term policy.

Another limiting factor in the economic development of countries of the region is the lack of an entrepreneur class. The small business community found in some countries of the region consists more of traders and financiers than of industrialists. The growth of an entrepeneur class is necessarily a slow process. Further, there is still a certain amount of opprobrium attached to the activities of the business class in some countries of the region. The development of a sound business organization, the spirit of enterprise and the growth of technology are as important as the availability of capital. At present the environment offered for industrialization is not sufficiently favourable. Skills in business management are also scarce and will only grow along with industrialization.

Owing to these limitations, the role of the State in speeding up development programmes in the ECAFE countries has been very significant. No country is at present relying solely on private enterprise for economic development. Special considerations also reinforce the role of the State, *e.g.* the desire to avoid concentration of wealth and power in a limited section of the community and to secure social justice, and also to direct limited resources to the most desirable fields of economic development.

On the other hand, there is also a desire in many countries to leave to private enterprise on competitive lines as large a field as possible. The private sector accounts for the bulk of capital formation in Japan, the Philippines and Malaya, but even in other countries, as in Ceylon, the Republic of Korea and Pakistan, the growth of private enterprise has been definitely faster than that of public enterprise. In India, where the government is investing directly in a number of industrial fields, much scope is still left for private enterprise. In China: Taiwan the government has adopted a policy of selling public enterprises to private interests.

Ideology apart, most of the countries in the ECAFE region have in practice adopted a system of mixed economy, in which the public sector includes basic facilities—technical training, housing, public ownership and development of forest and mineral resources, and transportation and other public utilities—while the remaining industrial sectors, especially consumer goods industries, are left to private enterprise. In the economy of Japan, Malaya and the Philippines, private enterprise prevails where the motive force is profit. But the role of the State is growing. India is a classic case of a mixed economy system, although recently there has been an official statement in favour of socialism.[1] While public welfare is the avowed objective of all the countries, the difficulties of balancing profit incentive with the non-economic motive of social welfare and social justice are found in a marked degree in the mixed economy system. However, these difficulties in practice are being resolved. In countries where a definite role is assigned to the private sector, the profit incentive is permitted to operate within the limitation set by the welfare State ideology. While high profits may be taxed off, special incentives are given for making use of profits for research and for other socially desirable purposes. Price and fiscal policies are developed to encourage private investment, and financial assistance is provided by government for private enterprise, in defined sectors. For the public sector, the mobilization of resources is encouraged by special methods. A capital market is sought to be developed with a new type of securities such as industrial bonds, housing bonds, etc.

The reconciliation of the divergent needs of the public and private sectors is a task for the planners in the region. While it is not an impossible task, it may present considerable difficulties, particularly when private enterprise does not feel sufficient confidence to pursue its own activities. A basic requirement for the success of the mixed economy is, besides political stability, a large measure of public support for the economic development programme, a willingness of private enterprise to accept the implications of the mixed economy and the welfare State and an equal willingness of the government to allow private enterprise to function in its allotted sphere with reasonable efficiency and adequacy.

1. *Infra*, chapter 12 on India, in the concluding section on "Propects and policies", p. 126.

Part I. THE REGIONAL SITUATION

Chapter I. AGRICULTURAL PRODUCTION

FOODGRAINS[1]

For the second year in succession, favourable weather conditions and continuing grow-more-food efforts of governments have enabled the ECAFE region to share in the increase in world food production. The 1953/54 regional production of foodgrains (excluding mainland China) at 117.5 million tons is 8 per cent above the 1952/53 level and 10 per cent above the pre-war (1934-38) level, though on a *per capita* basis it still remains 12 per cent below the pre-war level.

TABLE 1
INDEX NUMBERS OF TOTAL AND PER CAPITA PRODUCTION OF CEREALS[a]
1934–38 = 100

	FAR EAST			TOTAL WORLD		
	Cereal production	Population	Cereal production per capita	Cereal production	Population	Cereal production per capita
1948/49 . . .	98	119	82	108	113	96
1949/50 . . .						
1950/51 . . .						
1952/53 . . .	102	124	83	117	117	100
1953/54 . . .	110	125	88	119	119	101

Source: FAO
a. Excluding mainland China and USSR.

More important, however, is the fact that rice production has exceeded by 9 per cent the record output of 1952/53 and now stands at 13 per cent above the pre-war level. Almost all countries of the region, with the main exception of Japan, have shared in this increase.

TABLE 2
FOOD PRODUCTION IN THE ECAFE REGION[a]
million tons

	1934/35 to 1938/39 average	1948/49 to 1950/51 average	1951/52	1952/53	1953/54	1954/55
Cereals . . .	105.6	102.7	102.8	108.8	117.5	..
Wheat[b] . . .	13.8	13.0	13.7	12.7	12.6	15.1
Rice (milled)[c] .	65.5	65.5	64.3	68.1	74.3	74.3
Barley . . .	5.1	5.3	5.7	5.4	5.7	6.2
Maize . . .	6.1	5.6	6.0	7.0	7.1	..
Millets and sorghums . .	14.9	13.1	12.9	15.4	17.6	..
Oats	0.2	0.2	0.2	0.2	0.2	0.2
Starchy root crops	20.2	24.5	25.2	28.1	27.0	..
Potatoes . . .	4.0	4.3	4.5	4.8	5.0	..
Sweet potatoes and yams. .	7.7	11.8	10.8	13.0	12.0	..
Cassava . . .	8.5	8.4	9.9	10.3	10.0	..
Pulses[d] . . .	9.1	10.3	10.3	9.8	..	..

a. Excluding Afghanistan and mainland China unless otherwise stated.
b. Includes the production of Afghanistan.
c. Milled rice derived from paddy using 70 per cent as the conversion factor.
d. Comprise dry beans, dry peas, broad beans, chick peas, and lentils.

The reaping of two good grain harvests in succession created psychological conditions that favoured restrained buying by consumers and discouraged hoarding by producers and consequently, the impact of production increases on the food situation was felt more fully. In many deficit countries the improvement in the food situation was substantial.

Increased supplies of locally produced foodgrains in deficit countries resulted in reduced import needs and significant declines in domestic prices. Besides, the relatively high price of imported rice compared with that of imported wheat also tended to restrict the import demand for rice. This restrictive influence was most marked in the earlier part of the year. Subsequently, two new factors having potentialities for increasing demand for foodgrains also became discernible. One of these was the possibility of demand for rice developing from considerations other than those of meeting current consumption needs, e.g. building up reserve stocks and maintaining outlets for export products in rice surplus countries.[2] The second was the emergence of the problem of relaxing restrictions on consumption either as a corrective measure for domestic price declines considered too sharp or the improvement of offtake of government stocks requiring quick disposal. In a number of countries these paved the way ultimately towards reversion to free trading in domestic foodgrains (particularly rice). The stimulating effect of these measures on consumption did not result in increased demand because of the improvement in domestic supplies and the relatively higher prices of imported foodgrains particularly rice; thus regional demand for meeting current needs derived strength largely from Japan, which had harvested a poor price crop in 1953.

Food importing countries

In *India*, the 1953 rice crop was 20 per cent larger than the record crop of 1952 and the outturn of millets was also better. Owing to marked improvement in the supply of foodgrains,[3] market prices tended to decline sharply, particularly in producing areas. One symptom of the change-over from the period of acute post-war shortages to a period of abundant supplies was the concern felt occasionally among producers and government circles over the decline in market prices. In these circumstances, the policy of removal of restrictions on consumption, trade, etc., proceeded at a quickened pace. Domestic trade in millets was made completely free in the beginning of the year and restrictions on consumption, prices and trade in rice were removed in July. As a result, prices in deficit areas showed some decline while prices in producing areas rose. However, the increase in consumption, if any, resulting from such relaxations, was

1. The term "foodgrains" generally covers cereals, starchy root crops and pulses, though in some cases only cereals are covered, depending on the purpose for which the statistics are compiled.
2. One example was the Indo-Burmese agreement. This was, however, of a special nature and might have been influenced a good deal by non-economic considerations.
3. With the coming into the markets in the spring of 1954 of a wheat crop 6 per cent larger than the previous good crop, the supply position improved further.

barely noticeable in view of larger domestic supplies. Imports for current consumption were hardly required. In view of various other considerations, however, the government decided to import 900,000 long tons of rice from Burma for building up reserve stocks. Actual imports of foodgrains from January to October amounted to only 550,000 tons including 450,000 tons of rice. Total imports of foodgrains in 1954 were estimated at 800,000 tons as against the corresponding figure of 2 million tons for 1953.

Ceylon and the Federation of Malaya were faced with the problems of larger carry-over stocks, limited or falling offtake and increased supplies.

Thus, in *Ceylon* the initial stocks of rice in January 1954 at 103,000 tons were nearly twice the initial stocks in 1953. Offtake at the current price of 27.5 cents per lb (2.2 times the price before 20 July 1953) was, however, expected to be well below the contracted imports aggregating 470,000 tons. The government was, therefore, anxious to dispose of part of its surplus stock (estimated at around 90,000 tons in the beginning of the year), but had succeeded in selling only 61 per cent of this quantity by the middle of 1954. A factor that added to the government's difficulties in dealing with the surplus problem was the significant decline in domestic market prices following the harvesting of a record spring crop and the consequent increase of paddy sales to the government[1] at the guaranteed price of Rs 12 per bushel as against the average market price of Rs 8 per bushel. Actual imports of rice in the first three quarters of 1954 amounted to 289,000 tons as against 294,000 tons in the corresponding period of 1953. Imports of other foodgrains during 1954 (Jan.–Sept.) were lower by 34,000 tons than in 1953.

In the *Federation of Malaya*, the rice stocks accumulated by the government in the beginning of 1954 at 147,000 tons were nearly 40 per cent larger than the corresponding figure for 1953, but offtake was showing a steady decline and was not considered sufficient to permit the normal turnover of stocks. To improve offtake, the government had to reduce prices on a few occasions and imports on commercial account were also reduced. With the coming into the market of the new rice crop, offtake showed a further sharp decline and the market prices tended to fall below the level guaranteed to producers. To deal with the situation, the government curtailed drastically imports on commercial account and reduced further the sale price of government rice. Finally, in August, rationing of rice was abolished.[2] Total imports of rice in the Federation of Malaya, in the first nine months of the year, amounted to 189,000 tons as against 440,000 tons imported in the corresponding period of 1953. Imports of other foodgrains amounted to about 94 per cent of the corresponding figure for 1953.

In *Indonesia*, the annual offtake of rice has, since 1952, tended to be around 600,000 tons while domestic procurement has been increasing steadily owing to better crops, increased efficiency of procurement machinery and higher procurement prices. During 1954, the initial stocks with the Food Foundation at 428,000 tons were nearly 21 per cent larger than in 1953; with domestic procurement expected to exceed 400,000 tons, the government managed with imports of only 211,000 tons of rice[3] (32 per cent lower than in 1953). The prevailing prices of rice, though lower than a year earlier, are still sufficiently high to help limit consumption around its present levels, and significant increases could hardly be expected without marked downtrend in world rice prices.[4]

Japan had harvested in 1953 a rice crop 17 per cent smaller than in 1952 and a wheat crop smaller by 11 per cent. Consequently, import needs were larger. The total imports of foodgrains during the first nine months of 1954 amounted to 3.85 million tons as against 2.4 million tons in 1953. However, the impact of this increase in demand was felt largely by countries outside the region, the increase in rice imports from within the region being only 207,000 tons in the first three quarters of 1954. Apart from the relatively high prices of imported rice vis-à-vis wheat, two other factors also played an important part in diverting the import demand to countries outside the region. The first was the purchase against payment in yen of 700,000 tons of wheat and barley from the United States under a special agreement. The second was related to Japan's desire to stimulate its export trade particularly with certain countries. Thus, the trade agreements concluded with Brazil, Canada, Italy, etc. provided among other things for import of foodgrains. However, the rice crop harvested in the autumn of 1954 is estimated at 9.1 million tons in terms of brown rice or about 0.9 million tons more than in 1953. If actual procurement exceeds the target quota of 3.3 million tons by about 25 per cent,[5] the import needs in 1955 may come down to the usual level.

The *Philippines*, which managed without rice imports in 1953, became an importer towards the close of 1954. The 1953 crop was better than the previous crop and prices in the first quarter of 1954 were lower than in any of the previous three years. However, in August, there were reports of serious damage to the 1954 rice crop and the resulting speculation pushed up rice prices to levels well above those of the preceding three years. In these circumstances, government decided to import 100,000 tons of rice and also allowed the National Rice and Corn Corporation (NARIC) to sell its stocks at a price nearly 40 per cent lower than the prevailing market price. Moreover, an advance of P 30 million was granted to NARIC to start purchases of the 1954 crop directly from the producers in co-operation with the Agricultural Credit and Co-operative Financing Administration and Agricultural Department, with a view to assuring reasonable prices to producers and preventing any hardship to consumers.

Thus, with the main exception of Japan, the downtrend in import needs for current consumption, noticeable in 1953, continued during the period under review and resulted for many countries of the region in considerable savings of foreign exchange.

As mentioned before, the bulk of the increase in Japan's import needs was satisfied from countries outside the region; consequently total demand for the region's rice arising from current consumption needs tended to be lower than in 1953. However, India's demand for Burmese rice, which developed from considerations other than those of meeting current needs, maintained the total demand for regional rice at the same level as for the previous year,[6] but kept it still lower than in 1951 or 1952. In comparison with the impressive increases in rice supplies in the region, the improvement in total demand for rice looked very small indeed.

1. The quantity sold to the government amounted to 1.5 million bushels of paddy. The present guaranteed price is to remain in force until 1957.
2. In Hong Kong also rationing was abolished in August. In Singapore it had been abolished earlier.
3. Figures relate to January—September.
4. At present, operations of the Food Foundation involve fairly heavy losses every year. Reduction of domestic rice prices without a corresponding reduction in the price of imported rice would entail greater loss to the Food Foundation.
5. In the light of past experience, this would be a reasonable expectation.
6. The total exports of rice from the main exporting countries in 1954 are estimated to have increased over those in 1953.

TABLE 3

IMPORTS OF CEREALS[a] INTO ECAFE COUNTRIES

thousand tons

	All cereals							Rice	
	India	Ceylon	Japan	Malaya	Hong Kong	Indonesia	Total	From ECAFE countries[b]	Total
1951	4,815	693	3,397	683	214	577	10,379	2,777	3,221
1952	3,994	688	3,682	632	281	955	10,398	2,584	3,648
1953	2,035	702	3,686	724	352	494	7,993	2,135	2,880
Jan–Sept	1,915	515	2,352	565	277	410	6,033	1,810	2,320
1954 Jan–Sept	429	475	3,850	305	103	297	5,459	1,646	2,350

Source: Figures in respect of rice for 1954 and cereals are taken from national statistical publications. Pre-1954 figures on rice are taken from Commonwealth Economic Committee, *Rice Bulletin*.

a. Cereals include rice, wheat, wheat flour, milled maize, barley etc.
b. Excluding mainland China.

Rice exporting countries

The situation which faced the rice exporting countries of the region at the beginning of 1954 was far from satisfactory. Reduced effective demand for rice in 1953 had resulted in lowest exports on record since 1951 and large unsold stocks remained at the end of the year. The good 1953/54 rice crops increased the regional surpluses of rice to nearly 1½ times the highest actual exports in any post-war year. Increased exportable surpluses of rice and limited effective deamnd indicated the need for suitable price adjustments. Two other factors that reinforced the need for price adjustments were the decline of wheat prices on international markets[1] and the possibility of securing supplies of foodgrains from the United States either as outright grants or against payment in local currencies.

Burma, which had an exportable surplus of nearly 2.4 million tons in 1954, reacted to the new situation with considerable speed and succeeded in securing long-term export contracts for nearly 600,000 tons, at a price 16.6 per cent lower than the 1953 price. Subsequently it sold 900,000 long tons to India at a price 20 per cent lower than the 1953 price and also agreed to adjust £14 per ton towards payment of an old debt to India. While the government price for basic quality rice remained unchanged at £50 per ton, the unit value of exports from June onwards was lower than in the preceding months, indicating probably an increased proportion of lower-grade rice in the export trade during the latter part of the year. The average monthly exports during the first eight months compared favourably with the best post-war year but because of price decline, Burma's total foreign exchange earnings during the first nine months of 1954 were smaller than in the corresponding period of 1953. The carry-over stocks at the end of 1953 were, however, expected to be larger than in 1953.[2]

In the case of *Thailand*, the 1953 rice crop was good and the exportable surplus[3] approached nearly 1.8 million tons. Price adjustments, however, were made only slowly, resulting in the lowest level of exports in the past four years. The price reductions announced in early 1954 were small and Thai rice remained comparatively more costly. Thus, in April, the f.o.b. price of W.R. 20 per cent was $154.7 per ton on commercial basis and $141.54 on government-to-government basis. On the other hand, No. 1 rice (25 per cent broken) f.o.b. Saigon was being quoted at $138.5 and S.M.S. 42 per cent f.o.b. Rangoon was also cheaper than the Thai rice. The subsequent price reductions in June, which related to W.R. 15 per cent and other lower grades, made Thai prices competitive with the Burmese prices but rice from Viet-Nam and Cambodia still remained cheaper.[4] Moreover, the reductions were made too late to influence the situation materially.[5] For, at that time, even Burma was finding it difficult to secure more export contracts at the prevailing prices. Besides, buyers were then reluctant to enter into large commitments without knowing the prospects of their own 1954 crops. The net result, therefore, was that the total exports from Thailand aggregated about a million tons,[6] leaving a carry-over of nearly 600,000 tons.[7]

Both Viet-Nam and Cambodia had harvested better rice crops in 1953/54 and in 1954 the combined exportable surplus was estimated at around 500,000 tons. Owing largely to successive reductions and final abolition of the exceptional export tax[8] and favourable prices, the exports from *Viet-Nam* in the first half of 1954 amounted to 202,000 tons or more than twice the exports in the corresponding period of 1953. However, with a view to preventing too sharp a rise in domestic prices following influx of refugees after the cease-fire, exports from Viet-Nam were banned in July. Domestic prices eased somewhat in the latter part of October but resumption of exports before the arrival of the new crop appeared unlikely. In the case of *Cambodia*, exports from January to October 1954 amounted to 211,000 tons of rice and in consequence the major part of the surplus was reported to have been cleared.

1. Towards the close of August 1954. September/October shipments of Australian wheat were quoted at a price nearly 26 per cent lower than a year back.
2. Owing to a large increase in the exportable surplus, government had to provide greatly increased storage space at a considerable cost. At the same time operations of the State Agricultural Marketing Board had to be extended to assure reasonable prices oo the producers.
3. Including carry-over from the previous crop.
4. In June the f.o.b. Saigon price of No. 1 (25 per cent broken) was $129.8 per ton.
5. Exports of rice flour amounted to 200,000 tons.
6. Demand is normally brisk in the earlier part of the year, but Thai rice was comparatively more costly during that part of the year.
7. The increase in marketable surplus coupled with a low rate of exports brought about some reduction in the domestic prices of paddy. However, reduction in prices was offset in some measure by increases in production and incomes of producers were probably not affected materially. The government has formulated a scheme for undertaking direct purchases of paddy from producers in 1955 and a large expansion of storage capacity is also contemplated.
8. The tax which was originally imposed in the spring of 1953 amounted to 2,500 piastres per ton in Viet-Nam and 3,200 piastres in Cambodia. It was reduced on several occasions from the second half of 1953 onwards and was abolished in July 1954 in Cambodia and in August in Viet-Nam.

Of the other exporting countries, *Pakistan*, which had harvested record crops of rice and millets[1] in 1953/54, was expected to increase its rice exports to 170,000 tons in 1954 (an increase of 93 per cent over 1953). It also abolished all controls on prices, consumption and trade in rice towards the close of the year. In *China*, Taiwan harvested a slightly better crop of rice in 1954 (1.7 million tons as against 1.64 million tons in 1953), and reduced its exports from 59,000 tons in 1953 to 36,000 tons in 1954, in order to meet the requirements of an expanding population. In the mainland rice crop was adversely affected by the serious floods on the Yangtze and the Hwai rivers; during the first three quarters of the year rice exports to Ceylon were reduced to 141,000 tons, as against the corresponding figure of 199,000 tons in 1953. In addition, about 75,000 tons were shipped to Japan, part of which represented diversion of rice intended for Ceylon.

Thus, with the exception of Thailand and China, the rice exporting countries of the region generally succeeded in increasing their rice exports in 1954. In some cases (Burma and Viet-Nam) increases in the volume of exports were large enough to compensate for the decline in export prices. However, in spite of a 50 per cent increase in the volume of rice exports from Burma, its carry-over stocks at the end of 1954 were larger than a year earlier. In the case of Thailand, carry-over stocks at the end of 1954 were nearly twice the stocks at the end of 1953.[2]

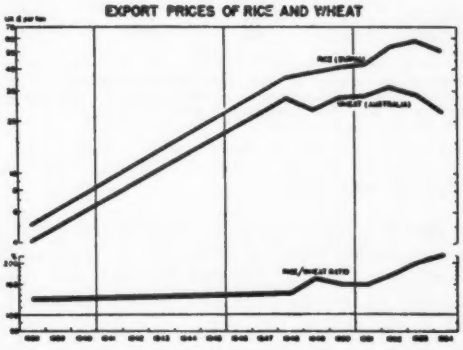
Prospects

Prospects of the 1954/55 crops are not precisely known at this stage, but present indications are that the export surplus of countries in the region will be about the same as in the previous year.[3] On the other hand, demand for rice at the prevailing export prices may be lower than in 1954. In particular, Japan, which has harvested substantially better rice and wheat crops in 1954 and has also negotiated an agreement with the United States providing for imports (in 1955) of rice, wheat, and other agricultural commodities amounting to $100 million, is likely to reduce rice imports from the region. While the abolition of rice rationing in Malaya, Hong Kong, etc. and possibly the throwing open of imports to commercial channels in a number of countries provide conditions favourable for expansion of consumption, no significant improvement in consumption may actually result without sizeable price cuts. In Ceylon, too, offtake is not likely to improve if present prices continue to prevail and because of specific prior commitments covering import of 470,000 tons, Ceylon may be faced with the problem of some unwanted rice stock. Although the Philippines may need some imported rice in 1955, the bulk of it is likely to come from the United States under the US Agricultural Trade and Development Act. The demand for building up reserve stocks could hardly be expected to develop at current prices.

Clearly, the rice situation in the region in 1955 is likely to be characterized by an excess of rice supplies relative to effective demand. This calls for quick and adequate price reductions, particularly with a view to bringing about a more reasonable relationship between the export prices of rice and wheat. An indication of this new trend towards lower prices may be seen in the Sino-Ceylonese agreement which provides for rice supplies to Ceylon in 1955 to £39 per ton f.o.b. China ports as against £47 per ton in 1954.

Chart 1

EXPORT PRICES OF RICE AND WHEAT



The persistence of relatively high export prices of rice is indeed creating an anamolous situation in the region. For, on the one hand, the exporting countries have had to carry increasing carry-over stocks and, in some cases, the problems of adjustment resulting from falling revenues have also assumed serious proportions.[4] On the other hand, the rice deficit countries of the region are still importing sizeable quantities of foodgrains other than rice from outside the region. In these countries shortfalls in rice production tend to be reflected, if at all, in larger imports of wheat, etc. The relative price advantage of these foodgrains, the possibility of outaining them on concessional terms and the advantages associated with having more trading partners, are tending to set upper limits to rice imports from the countries of the region. More important, however, is the fact that the gap between domestic availability and requirements is being continuously reduced. Indeed, the efforts to obtain self-sufficiency in foodgrains, initiated in a period of acute post-war shortages, have continued, often without much regard for costs, and present indications point to a quickening of effort in this direction.[5]

The situation obviously calls for long term trade arrangements and co-ordination of development plans between the traditional producing and consuming countries with a view to maintaining (and even expanding) the demand for rice

1. The wheat crop harvested in the spring of 1954 was 51 per cent larger than the previous crop, and as a consequence, the food situation in West Pakistan improved significantly.

2. However, the recent decision of the Thai Government to let traders handle almost all rice exports in 1955 creates favourable conditions for increasing the volume of exports.

3. Cambodia, which exported about 0.2 million tons in 1954, is likely to need some rice imports in 1955. However, this is not likely to alter the general position materially.

4. The problems of providing adequate storage facilities has become urgent as also that of preventing too sharp a decline in producers' prices.

5. Malaya and Ceylon re not only increasing the developmental expenditure on agriculture, but are also offering price incentives that appear quite costly in the light of the changed supply/demand situation. Thus, *Malaya* offered a minimum price of M$17 per picul of paddy (more than £49 per ton) during 1954. The developmental expenditure on irrigation and drainage in 1954 is expected to show an increase of 22 per cent over the 1953 level. In *Ceylon*, the government has had to buy nearly 1.5 million bushels of paddy during 1954 at the guaranteed minimum price of Rs 12 per bushel (more than £66 per ton of rice) which was nearly 50 per cent more than the market price. This price is to last till 1957. Developmental expenditure on agriculture (agriculture, irrigation and fisheries and estimated capital outlay) is expected to increase by about 13 per cent during 1954/55 over last year's level. Other deficit countries are also planning increases in production through larger outlays on development.

on the basis of lower export prices. A positive policy directed towards maintaining (and even expanding) rice trade can be of mutual advantage to exporting and importing countries. For the traditional rice exporting countries, it would mean preservation (and even expansion) of the demand for rice so vital to their economies. For the importing countries, it would mean provision of the favourite food to the consumers and retention of markets for export products in traditional rice surplus countries. Above all, it would provide an environment favourable for re-orientation of development plans in the countries of the region, with a view to ensuring the best possible utilization of the factors of production, and would thus help quicken the pace of development.[1]

OTHER COMMODITIES

In marked contrast to the somewhat easier trend of foodgrain prices, most other agricultural commodities—tea, rubber, cotton and jute—recorded significant, though far from uniform, price increases, generally due to improved export demand. During the major part of 1954, prices of these commodities were well above the corresponding levels for 1953 (see chart 2). Since a period of low prices had generally preceded these price increases, they came as a welcome relief to the exporting countries. Production too was stimulated, but actual increase varied as between individual commodities and individual countries.

Thus, while tea production showed a substantial increase, rubber production improved moderately towards the close of the year. The areas sown to the 1954/55 crops of cotton and jute also increased, but the effect of these increases was offset to a considerable extent by adverse weather. The position of a few selected commodities is examined below.

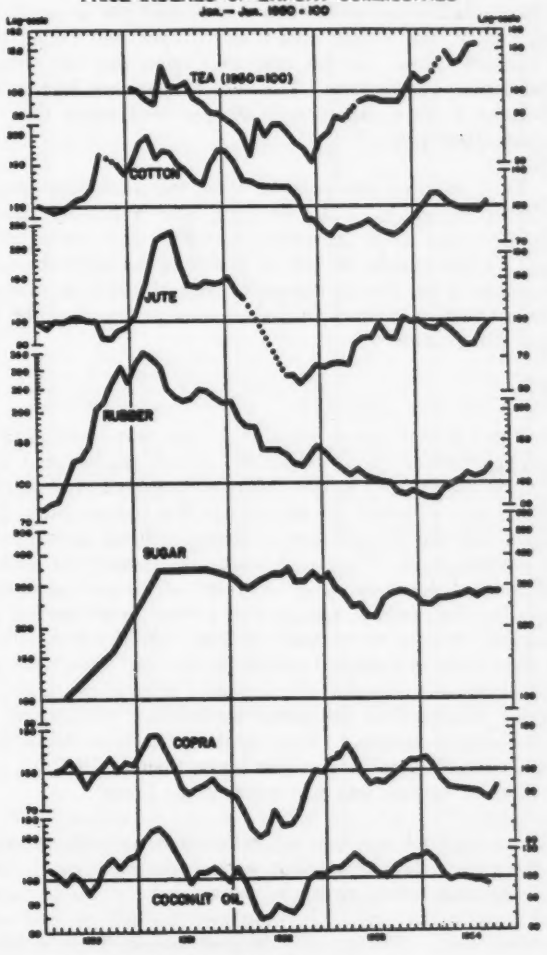
Tea

Increasing prices of tea in the world markets and favourable weather conditions helped bring about a significant increase in regional production during 1954. While all of the main producing countries shared in increased production, the rate of increase registered in the case of Indonesia (24 per cent) was relatively higher than that of Ceylon or India. Exports from Ceylon at 359 million lbs were nearly 7 per cent higher than in 1933, while those from Indonesia were expected to increase by about 32 per cent over the exports in 1953. However, expoprts of North Indian and Pakistan teas tended to decline.

Lower exports of North-Indian teas were attributable to reduced purchases by the United Kingdom and other buyers (particularly in the first few months of the year) in anticipation of price declines which usually follow the arrival of the new North-Indian crop. However, the disruption of communications due to floods in India delayed commencement of new crop arrivals in large quantities until the end of September, and, as a consequence, the earlier shortfall in exports was not made up. Total exports in 1954 were expected to be about 15 per cent lower than in 1953.[2]

Chart 2

PRICE INDEXES OF EXPORT COMMODITIES



Despite reduced volume of exports from India, the value of exports between January and September 1954 showed an increase of 14 per cent over the corresponding figure for 1953. In the case of Ceylon and Indonesia, the increases in value were relatively larger.

Under the influence of a strong export demand,[3] prices continued to rise almost throughout the year. Despite the increased supplies of the North-Indian crop, which became available from October, as also the increases in export duties[4]

1. Expansion of trade in rice between traditional producing and consuming countries, coupled with reorientation of development plans in these countries so as to allow for efficient use of factors of production, would create favourable conditions for expansion of trade between countries of the ECAFE region and the rest of the world.
2. It may be noted here that the present International Tea Agreement provides for regulation of trade in tea until 31 March 1955. The International Tea Committee has fixed export quotas for the year ending 31 March 1955 at the same level as for recent years, namely 135 per cent of 'standard exports'; in its view these quotas should allow for adequate production and export to meet world requirements.
3. In the case of India, two contributory factors were strong internal demand and speculation in export quotas. Thus, towards the close of November the right to export tea cost Rs 1/11/0 per lb.
4. Rates of export duties were enhanced with a view to check price increases and also to bring in more revenue. The Government of India increased the export duty from four to seven annas per lb towards the end of September. Ceylon increased the export duty from 45 cents to 60 cents per lb in May last and raised it to 75 cents in September. From November 18 it was increased to Re. 1. Indonesia has levied an export duty of 4 per cent of the fixed value of Rp 14 per kg for leaf and broken teas (about 56 cents per kg) from January 1955.

on tea, both in India and Ceylon, prices continued to rise. Thus, towards the end of October, the average wholesale price of North Indian tea at London was 6s-8.5d per lb or 72 per cent higher than a year earlier and 65 per cent higher than in January 1954. In the case of Ceylon tea, the October (end) price was 6s-9.7d. This was 67 per cent higher than the price a year earlier and 66 per cent more than the January 1954 price.

From the long-run point of view, the continuing uptrend of tea prices could hardly be considered a healthy feature. For while the large increases in coffee[1] and cocoa prices since the last quarter of 1953 had helped maintain the price advantage of tea during the major part of 1954, the demand for tea could be affected in the event of prices of coffee and cocoa going down.

Cotton

The regional cotton situation in the crop year 1953/54 was characterized by increases in over-all production,[2] consumption and imports as also reduction in export availabilities. The increase of nearly 18 per cent in the Indian cotton production over the 1952/53 level indicated reduced import needs for medium-staple cotton. Exports of short-staple cotton[3] were restricted to less than one-third of the corresponding figure for the previous season with a view to preventing too sharp an increase in domestic prices. On the other hand, the short crop of Pakistan (about 20 per cent lower than the 1952/53 season), coupled with increased internal consumption, reduced considerably the export availability, particularly of medium-staple varieties.[4] Thus, total exports from Pakistan at 890,000 bales[5] were 30 per cent lower than in 1952/53 and the value of exports was also substantially lower.

The regional surpluses of cotton are normally suitable for the manufacture of medium and coarse varieties of cloth and long- and extra-long-staple cottons have to be imported from outside the region for the manufacture of fine and superfine cloth. During the 1953/54 season, imports from outside the region were larger than in the previous season partly because of increased mill consumption in Japan and partly because of the diversion of some of the demand for medium-staple cotton to countries outside the region. Two factors contributed to the diversion of demand. One of these was the reduced purchase by Pakistan of cotton textiles from Japan and the consequent desire of Japan to divert demand for cotton to countries that could provide outlets for its textiles. The second factor was the availability of Foreign Operations Administration (FOA) grants for purchases from the United States. Thus, grants for 1953/54 to the Republic of China, Cambodia, Laos, Viet-Nam, and the Republic of Korea aggregated nearly $34.5 million.

1. The price of Brazilian coffee in October 1954 was nearly 66 per cent higher than a year earlier.
2. In mainland China raw cotton production in 1954 was reported to be slightly above the 1953 level, which represented a fall of 7 percent below the peak 1952 level.
3. India retains medium-staple cotton for domestic consumption.
4. Production of medium-staple varieties showed a decline of 330,000 bales in 1953/54.
5. Estimated for the crop year 1953/54.

TABLE 4

RAW COTTON: SUPPLIES AND CONSUMPTION IN SELECTED ECAFE COUNTRIES

Thousand bales

	Production[a]	Initial Stock	Imports	Exports	Consumption
India					
1952/53	2,975	2,000	563	283	3,875
1953/54	3,770	1,370	486	91	3,985
1954/55	3,900	1,550	..	..	..
Japan					
1952/53	—	524	2,064	—	2,065
1953/54	—	523	2,443	—	2,566
1954/55	—	400	..	—	..
Pakistan					
1952/53	1,540	365	—	1,275	230
1953/54	1,200	400	—	897	450
1954/55	1,320	250	—	..	..
Total 3 countries					
1952/53	4,515	2,889	2,627	1,568	6,170
1953/54	4,970	2,293	2,929	988	7,001
1954/55	5,220	2,200	..	..	..

Source: International Cotton Advisory Committee.
a. Production estimates for 1954/55 are provisional.

Prices of export varieties of cotton started rising towards the close of 1953 and the upward trend continued till March 1954. Thereafter prices showed some decline, but on the whole prices in the 1953/54 season were higher than in the previous season. For instance, the March 1954 price of 4.F Punjab S.G.F. at Karachi (Rs 85.12 per maund of 82.3 lb) was 28 per cent higher than the December 1953 price. The closing price for the season (July 1954) at Rs 73.65 was nearly 20 per cent higher than the price of August 1953. The main factors which contributed to the rise in cotton prices during the 1953/54 season were lower supplies of non-dollar cotton (particularly from Egypt and Pakistan), the firm tone of the US cotton market on account of large sales of cotton to the Commodity Credit Corporation and the decision of the United States to curtail production in the 1954/55 season.

Final estimates of the 1954/55 crop are not yet available, but present indications are that, despite unfavourable weather conditions, production in India and Pakistan might show moderate increases over the respective figures of production for 1953/54. Export availability, particularly of medium-staple varieties, is, however, expected to be lower because consumption in Pakistan is expected to increase to nearly 700,000 bales.

While mill consumption in Japan may be lower during the 1954/55 season, total imports by ECAFE countries from outside the region might not be materially different from the total imports in the previous season. This is mainly because the factors responsible for diversion of regional demand during the previous season might assume greater importance during the current season. For Japan and a number of other countries of the region have already secured FOA grants aggregating $45 million[6] for purchases of cotton from the

6. The break-down is as under: Japan $35 million; Cambodia, Laos and Viet-Nam $5 million; and the Republic of Korea $5 million.

United States. Moreover, in the event of Pakistan reducing its purchases of cotton textiles from Japan, the latter might reduce its purchases of medium and short staple cotton from Pakistan. Mainland China, which accounted for nearly 19 per cent of the total exports of cotton from Pakistan in 1953/54, might continue to import from Pakistan in the 1954/55 season because of difficulties encountered in fulfilling the quota set for State purchases.[1] India imports at present mainly long-staple cotton available only outside the region and might not reduce its import demand further.

Although a substantial part of the regional surplus of cotton in 1954/55 might not be absorbed within the region, the over-all supplies of non-dollar cotton are not likely to be large enough in relation to demand and prices might move within a narrow range. Actually, prices at Karachi between August-October 1954 have been higher than in the corresponding period of 1953.

Jute

Production of jute in the 1953/54 season showed a sharp decline both in Pakistan and India,[2] but the deficiency was offset in some measure by the large carry-over stocks (nearly 2.8 million bales) with the Pakistan Jute Board. Total supplies available for the season amounted to nearly 9.6 million bales as against 13 million bales in the previous season. Exports of raw jute to India at 1.3 million bales were nearly 13 per cent lower[3] than in 1952/53, but exports overseas at 3.8 million bales were about the same as in the 1952/53 season. Total 1953/54 exports of raw jute from Pakistan at 5.1 million bales were only 3 per cent lower than the high level of the previous season, but the value of exports at Rs 548 million exceeded by 2 per cent the corresponding figure for 1952/53. On the other hand, exports of jute manufacture from India in 1953/54 at 792,000 tons were 15 per cent higher than in 1952/53 and exceeded slightly even the high level of 1951/52.

Increased demand for jute manufactures coupled with slightly reduced production in India helped bring about a significant reduction in mill stocks and some increase in the prices of jute manufactures. Prices of raw jute also tended to rise over the low levels of the previous season consequent on the narrowing of the gap between supplies of raw jute and demand. The improved export outlook for jute manufactures also exercised a stimulating effect on raw jute prices. Thus, the price of middle quality raw jute at Narayanganj averaged Rs 22/12/8 per maund of 82.3 lb in the third quarter of 1953 but improved to Rs 24/6/8 in the last quarter. In the first quarter of 1954, prices improved further but declined to Rs 23/7/4 in the second quarter.

During the 1954/55 season, production is expected to increase both in Pakistan and India,[4] although due to flood damage the total supplies might be somewhat lower than 9 million bales. Besides, the increased consumption needs of Pakistan might leave barely enough supplies to meet export demand at around last season's level. Import demand is, however, expected to increase because larger exports of jute manufactures in the 1953/54 season have resulted in a reduction in mill stocks of jute manufactures. In order to increase production working hours of Indian jute mills have been increased from 45 to 48 hours per week effective 18 October 1954. In addition, there is likely to be keener demand (both by Pakistani and Indian mills) for the relatively limited supplies of good-quality jute required for manufacturing hessians for the United States. These are factors that might lend strength to raw jute prices,[5] but much will depend on the actual size of the 1954/55 crop as also on the demand for jute goods. Should demand for jute goods slacken in the event of prices becoming unfavourable in relation to prices of paper or cotton bags, raw jute prices would also be affected.

TABLE 5

RAW JUTE: SUPPLIES AND DISPOSAL IN INDIA AND PAKISTAN

Million bales

	Production	Import (+) or Export (−)	Consumption
India			
1952/53	4.6	+1.3	5.5
1953/54	3.1	+1.5	5.4
1954/55	3.2	..	5.9
Pakistan			
1952/53	6.8	−5.3	..
1953/54	2.5 to 3.5	−5.1	.3
1954/55	2.7	..	.3

Sources: India Jute Mills Association, *Monthly Summary of Jute and Gunny Statistics;* Government of East Bengal, Department of Commerce, Labour and Industries, *Monthly Summary of Jute Statistics;* and FAO.

Rubber

The process of adjustment of supplies to demand for natural rubber, in operation since 1952 in response to price declines, has proceeded at a quickened pace since the second half of 1953. Production of natural rubber declined by 3.6 per cent in 1953 compared to the production in 1952, while consumption increased by 11.4 per cent. Owing largely to the more favourable price of natural as compared with synthetic rubber, the consumption of the latter declined both absolutely and relatively to total rubber consumption.[6]

The downtrend in production noticeable since 1952 continued in the first half of 1954. Within the ECAFE region (which accounts for nearly 95 per cent of the world output) production declined by about 0.5 per cent in the first half of 1954 as compared with the corresponding figures for 1953. This was attributable to a 4 per cent reduction in the Federation of Malaya's production. Both estate and small holders' production shared in the decline, the respective reductions being 2 per cent and 6 per cent. On the other hand, in Indonesia, where production had contracted sharply in 1953,[7] the previous year's level was more or less maintained. In Ceylon, which has hitherto exported the bulk of its rubber to mainland China at prices well above the world level, production increased by 4 per cent.

1. According to the *People's Daily*, 7 December 1954 it was hoped that 70 per cent of the State cotton purchasing plan could be fulfilled.
2. In Pakistan the licensed area under jute was curtailed drastically to facilitate disposal of stocks accumulated with the Jute Board. In India unfavourable weather and lower prices brought about a reduction in area.
3. Reduced purchases by Indian mills were attributable to larger carry-over stocks at the beginning of the 1953/54 season.
4. In Pakistan preliminary estimates of area indicate an increase of 65 per cent while in India the increase is put at about 5 per cent.
5. The price in October 1954 were Rs 25/6 per maund or 16 per cent more than in October 1953. Prices in Dundee in December 1954 were 20 per cent higher than a year ago.
6. Production of synthetic rubber declined because of the decision of the United States Government to curtail production.
7. Production declined by 8 per cent in Indonesia in 1953 and by 2 per cent in the Federation of Malaya.

More important, however, is the fact that world consumption in the first half of 1954 exceeded production by 5 per cent and, as a consequence, prices tended to rise. The uptrend in prices continued in the third quarter and, by September 1954, the price of R.S.S. No. 1 at London was nearly 20 per cent higher than in January. In response largely to higher prices, production showed an increase in the third quarter but the total production between January and September 1954 exceeded consumption by only 38,000 tons or about one-third of the excess at the end of 1953.

In the first half of the year exports from the main exporting countries—Ceylon, Indonesia and the Federation of Malaya—tended to be lower than the corresponding figures for 1953. However, in the third quarter, exports increased in almost every case and the total for the period January-September exceeded slightly the corresponding figure for 1953.

While in 1954 production, exports and prices registered increases, the position in 1955 might depend on the competitive position of natural rubber vis-à-vis synthetic rubber. Should prices of natural rubber maintain their uptrend, demand might also be affected. In fact, the prevailing high prices of natural rubber have assumed special significance in the light of the recent transfer of some synthetic rubber plants to private concerns in the United States and the consequently anticipated decline in synthetic rubber prices.

The long-term interests of the natural rubber industry lie in maintaining the price advantage over synthetic rubber. This involves, in the final analysis, a reduction in the costs of production and, to this end, schemes are in operation in the Federation of Malaya and Ceylon to replace old trees by new high-yielding strains. In the case of Malaya, nearly one-third of the estate acreage has already been replanted with high-yielding strains.

Sugar

Unlike most of the other commodities referred to above, in the case of sugar, the problem facing producing countries during 1954 was one of preventing prices from falling too low. At the beginning of the year the International Sugar Agreement came into force, with the object of stabilizing prices at levels considered fair to producers and consumers through regulation of exports.[1] In the region, two of the important surplus countries—the Republic of China and the Philippines—and one important deficit country—Japan—signed and ratified the agreement. While the basic export quotas of the Republic of China and the Philippines under the agreement are 600,000 tons and 25,000 tons respectively, the effective quotas for 1954 are 485,819 and 22,742 tons. In the case of the Philippines, exports to the United States, though outside the scope of the International Sugar Agreement, are nevertheless subject to a quota of 864,000 long tons under the Bell Trade Act.

In order to conform to the export quotas under the International Sugar Agreement as well as the limits on stocks, the Republic of China found it expendient to reduce production. In the case of the Philippine, there was some scope for expansion of exports to the United States and therefore production of centrifugal sugar increased by about 25 per cent in the crop year 1954. Exports in the first three quarters of 1954 showed an increase of nearly 10 per cent over the corresponding figure for 1953. Unless, however, internal consumption can expand significantly, further increases in production in the Philippine may have to be avoided, at least in the immediate future.

In Indonesia (not a signatory to the International Sugar Agreement) production and exports have increased.

Prices on the international markets remained generally firm in the first four months of the year but a downward trend set in thereafter and in July prices of Cuban sugar (No. 4 contract) was nearly 4 per cent lower than the minimum price under the International Sugar Agreement. Price levels generally remained low until about the middle of September when there was some improvement following recommendation of voluntary reduction of exports by the International Sugar Council. These price declines on the international markets affected mainly the value of exports from the Republic of China and Indonesia, but in the case of the Philippines, which exports the major part of its surplus to the United States free of import taxes, prices, though lower than in 1953, maintained a firm tone.

Copra and coconut oil

Production of copra, which had shown a marked decline in 1952/53 owing largely to typhoon damage to the Philippine crop, increased appreciably in 1953/54 because of favourable weather conditions and relatively higher prices in 1953.

1. The minimum and maximum prices are 3.25 US cents and 4.35 US cents per lb free alongside steamer Cuban port.

TABLE 6

RUBBER: PRODUCTION AND EXPORT

thousand tons

	Production					Net export			World consumption
	Indonesia	Fed. of Malaya	Ceylon	ECAFE region[a]	World	Indonesia	Fed. of Malaya	ECAFE region[a]	
1951	827	615	107	1,808	1,915	806	618	1,771	1,524
1952	761	594	98	1,704	1,819	761	581	1,661	1,473
1953	703	584	100	1,635	1,753	685	579	1,584	1,641
1953 Jan.–Sep. . . .	531	531	65	1,205	1,290	526	421	1,182	1,217
1954 Jan.–Sep. . . .	552	432	66	1,238[b]	1,321	521	427	1,197[b]	1,283

Source: International Rubber Study Group.
a. Comprises returns for Cambodia, Ceylon, Federation of Malaya, India, Indonesia, Sarawak and Viet-Nam and estimated figures for Brunei, Burma, North Borneo and Thailand based on net exports.
b. For Combodia and Viet-Nam, estimates based on Jan-Aug.

The impact of a strong import demand on limited export availability of copra (as also of other vegetable oilseeds and oils) had brought about sharp increases in prices during 1953. Thus, the average 1953 price of copra in the Philippines was nearly 50 per cent higher than the average price for 1952 and exceeded even the high level for 1951. In other exporting countries as well price increases were large. With the coming into the markets of larger supplies of copra in the early part of 1954, prices eased significantly.[1] Thus, the April 1954 price of copra was 27 per cent lower than the January 1954 price. In the following months, prices declined further, the September 1954 price being 19 per cent lower than the price a year back and 32 per cent lower than the January 1954 price. The prices of coconut oil showed a similar trend.

1. Other contributing factors were increased production of inedible tallow, large over-all supplies of fats and oils in international markets in 1954 compared to 1953 and the large sales from United States stocks of cottonseed oil and linseed oil for export purposes.

The volume of exports from the main exporting countries increased substantially and offset in some measure the effect of price declines on foreign exchange earnings. Thus, the volume of exports of copra and coconut oil from the Philippines showed an increase of nearly 24 per cent in 1954 over the corresponding figure for 1953, while the corresponding increase in the case of the Federation of Malaya was nearly 18 per cent.[2]

Owing to increased need for oils and fats, mainland China became an important buyer of copra and coconut oil from the countries of the region in 1954. Thus, it took nearly 40 per cent of the exports of coconut oil from Ceylon and about 25 per cent of the coconut oil exports from the Federation of Malaya, and also contracted to buy some copra from Indonesia.

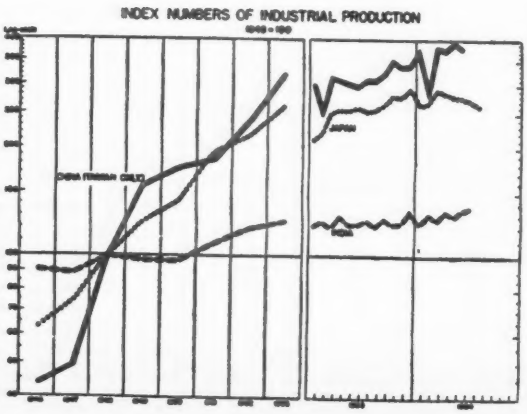
2. Philippines: annual rate based on January—October; Malaya: annual rate based on January—September.

Chapter 2. INDUSTRIAL PRODUCTION AND TRANSPORT

Industrialization is a major feature of the process of economic development; and those countries of the region which had long remained under-developed (or predominantly agricultural) have embarked in the post-war period, with varying degrees of speed and planning, upon the development of manufacturing industries and of basic facilities of the economy such as transport. Industrialization is a process which, for advanced western countries, was spread over a historical epoch involving often radical institutional adjustments and consisting typically of fairly well-marked stages related to technological advance.

Of the countries in the region, India was the first to introduce modern mechanized spinning (1854) and railway (1853), but its industrial development was arrested for some time. Subsequently Japan led the way in industrializing the economy in the last quarter of the nineteenth century, by which time it could telescope a long historical process into a short span of generation by benefiting from the accumulated knowledge and experience of the then advanced countries. China, too, started to establish modern industries towards the end of the nineteenth century, but its development was limited largely to cotton textiles and other consumer goods industries. For most other countries of the region, however, the process of industrialization is of quite recent origin and possibilities are greater for conscious planning of the pace and forms of its process. Nevertheless, there are limitations and handicaps which can be overcome only in stages and over time, and the types of industries which are actually being developed generally appear to follow a familiar historical pattern of light industries (textiles and food-processing) first, power generation, cement and simpler chemical industries (ammonium sulphate) and basic heavy industries (iron and steel) second, and then towards engineering industries and modern complex chemical plants.

Chart 3



For most countries of the region, the progress of industrialization has been especially marked after they were freed from dependent status in the post-war period. And the increase achieved in industrial capacities or production between, say 1949 and 1954, gives us a measure of such progress. India's progress in diversifying its industrial structure, while consolidating the economic base towards a high-investment economy under the Five-Year Plan, is quite noteworthy. Close on its heel is Pakistan which thus far, with emphasis on light consumer goods industries and basic facilities of the economy, has already succeeded in achieving a fair degree of self-sufficiency in a number of manufactured consumer goods. Burma, Indonesia and the Philippines, though still in the initial stage of industrialization, have drafted plans of economic development and created machinery for their implementation. Japan, too, hardly an under-developed country, witnessed in the postwar years a period of remarkable industrial rehabilitation after having been freed from the restrictions imposed under the terms of its surrender. In China the rapid pace of industrial development reportedly being achieved in the mainland under the system of socialist planning since 1949 appears notable. In aggregate quantum of production it surpassed India during 1953-54 in many lines of manufacturing industries.

With all the progress that has been achieved towards industrialization in the region, the relative weight of large scale factory manufacturing remains, with the exception of Japan, yet extremely meagre. Even in India, considered to be the second most highly developed industrial country in Asia on the *per capita* basis, the total labour force engaged in factory establishments is currently about 2.4 million or 1.8 per cent of the working population in the country.[1] Further, even when national aggregates of industrial output appear to be substantial, their relative importance per head is greatly reduced on account of the size of population in the region.

In fact, the factor of population density limits, in many countries of the region, the pace of introduction of labour-saving machinery; and measures to promote small-scale and cottage industries are adopted purposely by a number of countries like Burma, Ceylon, India and Indonesia. These industries constitute at present an important segment of the industrial picture in the region.

RECENT INDUSTRIAL DEVELOPMENTS IN SELECTED COUNTRIES

Of the less developed countries of the region, *China* has the most deliberate policy of rapid industrialization. In the mainland it launched the first Five-Year Plan in 1953, in which it was specifically laid down that the rate of growth of producer goods (and defence) industries should exceed that of consumer goods and that the development of the producer goods industry should be such as to allow "reproduction on an extended scale."[2] Necessary resources for the expansion

1. It is however true that the manufacturing industry provides indirect employment which may be many times as large as direct employment.
2. *Infra*, chapter 10 on China.

of economy are provided basically by the deliberate creation of gaps between the rate of growth in labour productivity and that in real earnings of the working population. The emphasis on industrialization is clearly indicated by the relative proportion in 1954 of the total public investment expenditure budgeted for industry and transport (63 per cent) as compared with those for agriculture, forestry and water conservancy (11 per cent). And within the manufacturing sector, basic heavy industries are receiving greatest attention as a pre-requisite for socialistic development. Tentative targets for next 5–10 years contemplate an expansion, as compared with 1952, of 100 per cent for electric power, 60 per cent for coal, 300 per cent for steel ingots and 250 per cent for machine tools. Actual achievement in the annual rate of over-all industrial expansion is reported to have been 28 per cent in 1953[1] and the rate of increase in the value of modern industrial production is estimated at 18 per cent in 1954,[2] by which time it is claimed that pre-1949 peaks have been surpassed in practically all the manufacturing industries.

In *India*, industrial expansion under the Five-Year Plan has rested largely on private initiative and resources, supplemented at certain key points by public funds as well as by foreign investment. Hence, outlay of public funds under the Five-Year Plan for industry amounted to only 8.4 per cent of the total, although expenditure for power and transport facilities would undoubtedly help industrial expansion. The major emphasis in industrial development in India during the past five years has been on consumer goods industries, while the development of basic producer and capital goods industries has lagged behind. Thus, while the index for cotton cloth (base 1946 = 100) increased by only 25 per cent from 99.7 in 1949 to 119.9 in 1953, that for crude steel increased by only 11 per cent from 104.6 in 1949 to 116.5 in 1953. Remarkable progress, however, was made in the field of engineering products and chemical fertilizers; for example, production of ammonium sulphate in 1953 was 14 times and that of superphosphate 10 times over the 1946 level. While both established industries, such as iron and steel and cotton textiles, and other less well-established industries, such as chemicals and pharmaceuticals, received a fillip from the increased demand immediately after the war, a whole range of new industries have come into existence, such as textile machinery, automobiles, locomotives, sewing machines, and bicycles. In recent years, however, the rise in over-all industrial production has slowed down somewhat with some industries producing below capacity, owing to lack of effective demand for domestic products. In the second Five-Year Plan (1956/57–1960/61), however, the Government of India is reported to be planning for large-scale expansion of basic industries such as steel, coal, cement, electric power and others, through which the rate of industrial output is expected to be doubled by 1972.

Within a short period since Partition in 1947, *Pakistan* has also achieved some degree of diversification in its industrial structure. Progress has been particularly rapid in the light consumer industries. This has been so because the emphasis in Pakistan's industrial policy was on production of and self-sufficiency in many consumer goods to alleviate the scarcity conditions and possibly also because it was easier to develop such industries. In recent years, however, Pakistan is also turning its attention to the development of heavy industries which will constitute a firm industrial base for the country. A significant development in this direction has been the formation of the Sui Gas Transmission Company[3] in 1954 with a capital of £4 million. Gas from Sui is expected to bring about a substantial saving in coal import by providing cheap power to industries. One estimate indicates that Pakistan's industrial output is expected to be doubled within the next few years. With the help of the Industrial Development Corporation, which is playing an important role in the industrialization, Pakistan has achieved or is likely to achieve self-sufficiency in the production of cotton piece-goods, jute manufactures, cement, ammonium sulphate, sugar, and other consumer goods.

Hong Kong's development of manufacturing industries has also been rapid owing to special post-war conditions, particularly the flight of capital and technicians from mainland China since 1949. Moreover, Hong Kong has always enjoyed good shipping and banking facilities, a stable currency, an efficient government, adequate labour force, and the presence of industrial entrepeneurs in addition to readily available capital and supply of skilled labour, which are the main advantage leading to the successful promotion of industries. It is especially noteworthy that Hong Kong's industries should have developed without exceptional encouragement like tariff protection.

Most other countries in the region, such as Afghanistan, Burma, Ceylon, Indonesia, the Philippines and Thailand, are still in the initial stage of industrialization, characterized by relatively large investments in economic overheads such as transport and power facilities and establishment of light industries such as textiles[4] and food processing, while basic capital goods industries, such as iron and steel or electrical engineering products, practically do not exist and such products constitute a major portion of their capital goods imports. Another notable feature in the young industrial countries is the relative importance of small-scale and cottage industries in the economies. It is not surprising that the spread of industries to other fields such as iron and steel, engineering and chemicals should be a slow process since it involves either the displacement of cheaper foreign supplies or the growth of local demand. Besides the general handicap of capital shortage, lack of technical skills and of an entrepreneurial class interested in industrial investment raises problems in these countries. Moreover, the narrowness and rigidity of the domestic market resulting from the low standard of living is another factor limiting industrialization.

The industrial development of *Japan* in the post-war period has been in the nature of rehabilitation from the devastation of war. The country had already attained a high degree of industrialization before the war and it further developed its heavy industries during the war. In 1943, for example, its production of steel ingots stood at 7.7 million tons, aluminium 108,000 tons and machine tools 60,000 units. A substantial part of the industrial plant and equipment was destroyed during the war, and the index of manufacturing production in the first full post-war year (1946) dropped as low as 16 per cent of the previous peak (1944) and 29 per cent of the pre-war average (1934-36). The recovery was rather slow until the middle of 1950 when the annual rate of manufacturing production was still more than 20

1. Teng Hsiao-ping (Minister of Finance), *Report on the 1954 State Budget*, in NCNA, Peking, 17 June 1954.
2. *Ta Kung Pao*, 23 June 1954.
3. In the initial stage Sui Gas is expected to supply 13,505 million cubic feet of gas per year, representing approximately 550,000 tons of coal.
4. Generally, the textile mills produce cotton yarn to supply the local handloom industry and cloth of coarse and medium quality.

per cent below the pre-war level. However, a remarkable period of expansion ensued under the stimulus of the Korean war boom. For example, actual capacities of production increased between the 1949 and 1953 (year-end) by sizable proportions for many industries, such as cotton spinning (by 107 per cent), pig iron (by 124 per cent), steel ingots (by 65 per cent), zinc (by 95 per cent), ammonium sulphate (by 32 per cent), caustic soda (by 50 per cent), cement (by 39 per cent), pulp (by 84 per cent), and synthetic fibres (by 195 per cent).[1] This expansion in the short period of four years, which is unusual for an already industrialized country, was largely financed by the profits from the Korean war boom. It made possible the rise in manufacturing production of more than 100 per cent in four years to bring the index by the spring of 1954 to a level very little short of the war-time peak. In 1954, the rate of expansion in manufacturing production slowed down considerably, –7.6 per cent over the previous year as compared with the annual rates of increase of 40, 11 and 24 per cent in 1951, 1952 and 1953 respectively. An outstanding feature of Japan's manufacturing industry is its dependence on foreign supplies for basic raw materials. In 1953, for example, the degree of dependence was 100 per cent for raw cotton, wool, rubber, bauxite, potash and phosphate rock, 95 per cent for petroleum, 86 per cent for zinc ores, 80 per cent for iron ores, 75 per cent for salt, 32 per cent for coking coal, 27 per cent for rayon pulp. Import of these goods in 1953 amounted to $998 million, of which countries of the ECAFE region (including mainland China) supplied only 21 per cent.[2]

1. The percentage figures for zinc, ammonium sulphate, caustic soda, cement, pulp and synthetic fibres are the increases between the end of fiscal year 1950 and the end of fiscal year 1953.

2. The ECAFE region supplied 100 per cent of Japan's imports in 1953 for rubber and bauxite, 53 per cent for salt, 46 per cent for iron ore, 29 per cent for cotton, 11 per cent for coking coal, 6 per cent for petroleum, and none or a negligible part of imports of rayon pulp, raw wool, phosphate rock and potash. Countrywise, Pakistan supplied 42 per cent of the total from the region, the Federation of Malaya 17 per cent, Indonesia 14 per cent, India 9 per cent, the Philippines 7 per cent, and the rest 11 per cent.

MAJOR DEVELOPMENTS IN SELECTED INDUSTRIES

Cotton textiles

Cotton spinning and weaving is the most extensively developed industry in the ECAFE region. Mechanized spinning is found in almost all the countries of the region; and the region as a whole is a net exporter of cotton piece-goods, with the two largest exporters of the world, Japan and India. Whereas in 1938 imports of cotton piece-goods into the region from outside amounted to 7.6 per cent of the region's total production, such a percentage declined to 6.8 in 1951 and further to 3.3 in 1954 (see table 7). Before the war Japan was the only significant exporter of the region, accounting for 90 per cent of the region's total exports in 1938. With India's rise as a major exporting country in the post-war period, Japan's share declined to 54 and 53 per cent in 1951 and 1954 respectively. China, Pakistan and Hong Kong have made significant progress in expanding the installed capacity of mechanized spinning during the past several years.

TABLE 7

COTTON PIECE-GOODS: PRODUCTION, EXPORTS AND IMPORTS IN ECAFE COUNTRIES

(*Million metres*[a])

	PRODUCTION	IMPORTS			EXPORTS		
		From countries of the region	From countries outside the region	Total	To countries of the region	To countries outside the region	Total
1938							
China: Taiwan	—	—	—	—	—	—	—
Mainland[b]	942	37[c]	5	42	—	—	—
India	3,937	388	204	592	117	53	170
Japan	3,015	..	..	21	986	1,056	2,042
Other countries	8	664	394	1,058	40	6	46
Total	7,902	1,089	603	1,713	1,143	1,115	2,258
1951							
China: Taiwan	56	58	1	59	—	—	—
Mainland	1,090[d]	..	..	..	..	..	..
India	3,830	—	8	8	317	392	709
Japan	1,993	..	..	1	630	372	1,002
Other countries	161	1,094	470	1,564	111	42	153
Total	7,130	1,152	479	1,632	1,058	806	1,864
1954[e]							
China: Taiwan	165	1	—	1	—	—	—
Mainland	1,960	..	..	..	..	..	..
India	4,579	—	4	4	286	515	801
Japan	2,928	..	..	—	766	384	1,150
Other countries	441	1,209	353	1,562	169	38	207
Total	10,071	1,210	357	1,567	1,221	937	2,158

Sources: For imports and exports, see Cotton Board, Manchester: *Quarterly Statistical Review* for years given, except 1954, for which national sources are used.

a. In converting statistics given in square yards into metres, it has been assumed that the width is one yard.

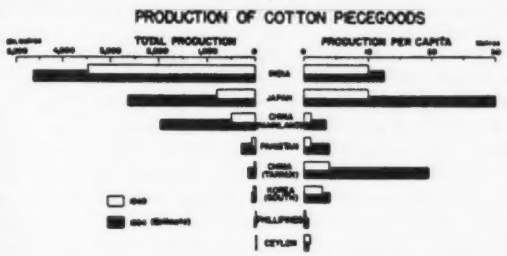
b. Imports in 1936 are used.

c. From Japan only.

d. Estimated figures.

e. At annual rate based on the first half year returns, except in the case of Indonesia for which the figures are based on the first quarter total of the year, and of mainland China for which the figures are based on an estimate in late September.

Chart 4



In *India* under the Five-Year Plan the private sector was expected to increase the rated capacity in terms of number of spindles from 10.9 million in 1950/51 to 11.3 million by 1955/56. This target was more than fulfilled by the beginning of 1954, when the number of spindles stood at 11.6 million.[1] The emphasis under the plan is placed on expansion of production by fully utilizing existing capacity rather than on large-scale expansion of capacity. Production of cotton yarn and cloth in 1953 was rated at 1,506 million lb and 4,486 million metres respectively, exceeding the planned target in respect of cotton cloth by nearly 4 per cent. The Kanungo Cotton Textile Enquiry Committee, in a recent report on the industry, recommended that no expansion should take place in the number of looms and that production of milled cloth should be pegged at the current level of 4,600 million metres per annum. It also recommended that every effort should be made to promote exports of cloth to the level of 914 million metres per annum. Such exports in 1954 are estimated at 801 million metres.

In *Japan*, the cotton textile industry at the end of the war had only 2 million spindles as compared with 12.2 million in the pre-war peak year (1937). During the occupation the total number of spindles was limited to 4 million. But rapid progress was achieved following the removal of this limitation in 1950, and the number increased from 3.7 million spindles at the end of 1949 to 6.4 million in 1951 and 7.6 million in 1953. The total production of milled-cloth stood at 2,350 million metres in 1953 and Japan became the world's largest exporter of cotton cloth in that year. The rapid increase in spindleage was accompanied by improvement in quality and rationalization of equipment and increase of labour productivity, with the result that production of cotton cloth increased by 205 per cent during the five-year period between 1948 and 1953. Of the major manufacturing industries of Japan the cotton textile industry appears to have maintained best its international competitive strength. Total exports of cotton cloth in 1954 are estimated at 1,150 million metres.

In *China* the United States Cotton Loan Mission estimated the total number of spindles on the mainland in 1948, excluding the North-East provinces, to be 4,764,000. Adding the estimated number of spindles of the North-East at the time, 223,000, brings the total in 1948 to nearly 5 million. Since the Central People's Government of the People's Republic of China came into power in 1949, the installed capacity of spindleage is reported to have increased by 22 per cent in five years, bringing the present total possibly above 6 million spindles. While the expansion in capacity is partly responsible for the increase in cotton textile production, other factors, such as the adoption of a three-shift system by the State-owned mills and the improvement in average productivity, have also contributed to the expansion. Thus although the production in 1949 is estimated to have been 686 million metres,[2] it is reported to have risen to above 1,893 million metres in 1953.[3]

As for Taiwan, its domestic requirements for cotton cloth used to be met almost entirely by imports from Japan. However, under encouragement from the National Government of the Republic of China the cotton textile industry has registered rapid expansion since 1945. The number of spindles increased from 10,000 in 1945 to 179,000 in 1954. The increase was most rapid in 1951 when the capacity doubled over the previous year, while between 1951 and 1954 it rose again by 82 per cent. *Pari passu* with this increase in capacity, production of cotton yarn and cloth also rose markedly, enabling Taiwan to reduce its imports of cotton textiles progressively. It can now look forward to having a margin for export of cotton cloth. Production of cotton cloth more than trebled during 1950-53 from 40 million metres to 130 million metres, while in 1954 the annual rate of production is expected to reach over 165 million metres.

Pakistan, since partition in 1947, made special efforts towards self-sufficiency in cotton textiles and achieved good progress. As against 177,000 spindles and 4,800 looms at the end of 1948, there were 724,000 spindles and 10,500 looms at the end of 1953, *i.e.* a four-fold increase in spindleage in five years. Production of cloth increased by 44 per cent during 1953 alone to 230 million metres, which met more than 70 per cent of the country's requirements of coarse and medium varieties of cloth. In these varieties Pakistan will become self-sufficient if and when the target of one million spindles under the Six-Year Programme is reached.

In *Hong Kong* automatic looms were brought into use only in 1948 and 1949. Until then the textile industry consisted mainly of weaving and knitting by machines entirely worked by hand on a cottage level. At present, there are about 13 cotton spinning mills equipped with modern-type machinery run on a factory basis and employing over 30 per cent of the total number of registered workers. The total number of spindles in operation is about 233,000 worked in three 8-hour shifts, an increase of 160 per cent over 1948. With a view to meeting the changing conditions in the market for textiles the industry is also endeavouring to install the latest type of machines for improving the quality and reducing the costs. In addition to spinning and weaving there is a considerable knitting industry which consists of about 273 knitting mills employing over 9,000 workers.

In the *Republic of Korea* the textile industry employs more workers than any other manufacturing industry, and it had in 1949 a higher cotton spinning capacity than Pakistan or Hong Kong. The industry suffered a great damage in the Korean war,[4] and its rehabilitation was given top priority in subsequent years. As a consequence, by 1954 the installed spindleage recovered to a level (268,000) only 16 per cent below that of 1949 and production of cotton sheeting increased by 40 per cent from 39 million metres in 1952 to 55 million metres in 1953.

1. It is estimated that 185,000 spindles remained idle.

2. Official source gives only the index number of 72.4 with pre-1949 peak as 100. The pre-1949 peak was 1937 when the production of 942 million metres was recorded.

3. *Infra*, chapter 10 on China.

4. The equipment destroyed was estimated at 226,000 spindles out of a total of 317,000. (*Report by the Office of the Economic Co-ordinator for Korea, Fiscal year 1954.*)

Capacities of lesser scale in cotton spinning can be found in most other countries of the region, a large part of which started their production in the post-war period. One of the largest is the mill in Nam-Dinh, located in North *Viet-Nam*, with 142,000 spindles, which is reported to have closed down in October 1954. In *Indonesia* the licensed spindle capacity stood at 66,500 at the end of 1953. But a new mill with a capacity of 30,000 spindles is under construction. In the *Philippines* the textile mills were all established in the post-war period, except the National Development Corporation Textile Mill with a capacity of 20,000 spindles and 504 looms and an annual production of 1.8 million lb of yarn. In 1950 installation of additional equipment and machinery for the Ilocos Textile Mill was designed for an annual capacity of 3 million lb of yarn. This mill had a capacity of 17,500 spindles as of June 1953 and was already operating at half the capacity. The draft Five-Year Economic Development Programme, covering the period 1 July 1954-30 June 1959, envisages the construction of eight new cotton mills with a capacity of 25,000 spindles each. *Afghanistan* which is now estimated to have a capacity of more than 30,000 spindles, is planning a big increase in its cotton textile industry, by devoting almost a quarter of its development funds in the revised Five-Year Plan to the expansion of the number of spindles and power looms; 45,000 spindles will be added in the first stage of the development programme. In *Burma* production of cotton yarn at the Government Cotton Spinning and Weaving Mill continued to expand in 1953/54 and it is expected to reach almost 4 million lb, or an increase of 36 per cent over the previous year. During the second quarter of 1954 the mill operated at about 70 per cent of the capacity and produced 968,000 lbs of yarn, the bulk of which is supplied to local handloom weavers. The construction of a new cotton spinning factory at Myingyan with a capacity of 20,000 spindles is under consideration. In *Thailand* the only cotton mill, i.e. the Bangkok Cotton Mill, resumed operations under different management in 1953. As in Burma it is designed mainly to supply cotton yarn to indigenous handloom weavers and it is estimated that the production from the mill will meet about 65 per cent of the country's requirements of yarn, although the quality of yarn is not up to the standard of the imported cariety. In *Singapore* a cotton mill, with a capacity of 10,000 spindles, was established during the last two years and is now working three shift.

Iron and steel

The region's output of steel ingots, which is concentrated in Japan, China and India, is estimated to have approached 11 million tons in 1953 as compared with 4.6 million tons in 1949.

Chart 5

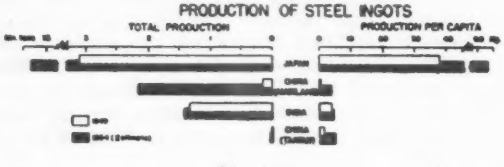
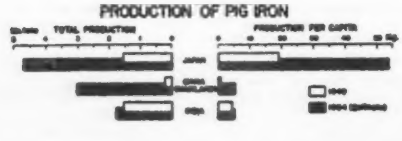


Chart 6



Japan is by far the leading steel producer in the region with 7.6 million tons or 70 per cent of the region's total output in 1953. The recovery of the iron and steel industry from the low ebb of 1945 and 1946 has been remarkable. The output of pig iron in 1949 was almost eight times that of 1946 and that of steel ingots six times. Such a rise, however, was only to be expected in view of the extreme dislocation of the industry in the immediate post-war period. At the end of 1949 the actual capacity of pig iron production stood at a little over 2 million tons and the steel ingot capacity at 6 million tons. More remarkable was the expansion witnessed in the wake of hostilities in Korea, as can be seen from the increase in actual capacities of pig iron and steel ingots by 124 per cent and 65 per cent respectively between the end of 1949 and the spring of 1954. Current actual capacities (4.5 million tons for pig iron and 9.9 million tons for steel ingots) are still below the war-time peaks, although the annual output in 1953 was the highest on record for both products. One of the basic weaknesses of the industry is its dependence on rather distant foreign sources of raw materials, particularly iron ore and coking coal. Recently the industry has passed through a three-year rationalization programme, which includes installation of modern equipment with a view to improving the yield and quality of iron and steel products.

By 1952, *China* became the second largest steel producing country of the region, and by 1954 it is claimed to have achieved in the mainland an annual rate of production of 3 million tons for pig iron and 2.2 million tons for steel ingots. Expansion has been extremely rapid since the People's Republic of China came into existence as it has been the policy of the government to place the greatest emphasis on heavy industries in its developmental programme. Schemes for further expansion of the industry are under way in a number of districts. For example, the Anshan Iron and Steel Company, by far the biggest in mainland China, planned to invest twice as much in 1954 as in 1953 and to build one steel smelting plant, one sheet steel plant, two steel blooming mills, two automatic blast furnaces, two coke ovens, etc. The completion of these plants would double the iron and steel output of Anshan.

In *India* the progress made towards targets of capacity and production was not so rapid as in Japan or mainland China. In spite of the natural advantages India's capacity for production of pig iron in 1950/51 was only 1.87 million tons, which is barely 50 per cent of the current domestic demand. Steps to increase capacity for pig iron by 1957/58 to 2.8 million tons and for finished steel to 1.65 million tons have been taken, and further plans for expansion are now under consideration.[1] However, production of steel ingots in 1953/54 remained at the level of about 1.5 million tons, that is, at about the same level as in 1950/51 and about 330,000 tons of steel had to be imported in 1953. Steel production in India is in the hands of three primary producers. Some of these companies ascribed to labour trouble during the major part of 1953 as the reason for their failure to reach the targets under the plan.

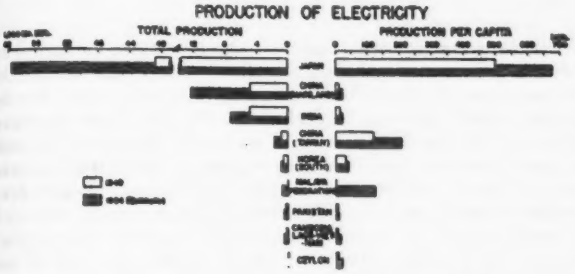
The 1954 production of pig iron and finished steel was below capacity and running at an annual rate of 1.7 million tons and 1.2 million tons respectively.

1. *Infra*, chapter 12 on India.

Electric power

While *per capita* generation of power in most western countries is about 1,000 kWh *per annum*, the ECAFE region is quite backward in this respect. Even Japan, which is the most advanced in the region,[1] generated in 1953 only 640 kWh *per capita*, and figures for most other countries or areas were less than one-twentieth of Japan's.

Chart 7



Since the second world war the ECAFE countries have faced great power shortages. Many industries work under restrictions or under a rationing system which, in many cases, tends to reduce production and increase costs. This post-war shortage is a necessary consequence of the lack of interest by the governments of many countries of this region before the war in the development of power production. It was mainly left in the hands of private enterprise and was naturally concentrated in urban areas. In the post-war period, however, governments have shown great interest in power development as part of their development programmes and a large number of new schemes for electricity generation are now under way. Fortunately the region has an enormous potential hydro-electric power. In the post-war period there has also been some degree of co-ordination between power development and industrial development which was lacking in the past. Besides, a number of governments have embarked on a programme of rural electrification during the last few years.

Japan has by far the largest *per capita* electricity output in the region. The industry is in the hands of 9 electric power companies which possess about 80 per cent of the total power generation facilities with a total maximum capacity of 9.2 million kW as of December 1952. As in the iron and steel industry, the post-war recovery of the electric power industry has been fairly rapid in response to demands of various industries, the annual rate of increase of output having averaged 9 per cent for the last five years. Despite such a progress a shortage was foreseen with the expansion of industrial activities, and the Electric Power Resources Development Company was established in 1952 by the government to concentrate on a rapid development of generating capacity with public funds. As the Five-Year Development Programme now stands, it is contemplated to increase the maximum capacity by 4.6 million kW during 1954-58. Electric power generation in the first half of 1954 averaged 4,980 million kWh monthly as against an average of 4,642 million kWh in 1953, of which 75 per cent was energy generated from hydro power.

In *China* the development of electric power in the mainland is considered to be a matter of high priority. By 1952 the total output of electric power was 64 per cent above that of 1949[2] and is claimed to have been higher than the pre-1949 peak.[3] Since then a fairly high annual rate of expansion was kept up, 26 per cent in 1953 and 20 per cent in 1954 (estimate), the output reaching 10,800 million kWh in the latter year. On the whole, the emphasis is mainly on thermal plants; but there do exist a number of hydro-electric power projects and it is worth noting that a power station now under construction for operation in 1955 at the Kuanting Reservoir on the Yungting River is using the turbo-generators manufactured by the new Harbin Electrical Machinery Plant.

In *India* also the expansion of the total electricity generating capacity has been fairly rapid, rising by 46 per cent between 1949 and 1953. At the beginning of the current Five-Year Plan, *i.e.* April 1951, the total generating capacity stood at slightly above 2.3 million kW, capacities in steam, hydro and diesel accounting for 58, 32 and 10 per cent respectively. The private sector then possessed 63 per cent of the electric power industry. However, under the Five-Year Plan electric power development would be stepped up by the public sector and by 1954 it was expected to have nearly 50 per cent of total generating capacity in the country estimated at 3.1 million kW (end of 1953). The long term target within the next 20 years is to treble the capacity to about 7 million kW. Among the recorded achievements are the Bokaro Thermal Power Station under the Damodar Valley project, completed in 1953 with an installed capacity of 50,000 kW, looking ultimately towards a capacity of 200,000 kW. In the private sector the major electric company will add about 120,000 kW during the planned period. In addition many State companies such as those of Madras, Mysore, Travancore-Cochin, have made substantial progress in rural electrification by 1953. Production of electric energy during the first half of 1954 averaged slightly over 600 million kWh monthly, as compared with an average of 552 million kWh in 1953 and 510 million kWh in 1952.

Other countries or areas of the region, none of which has a capacity larger than 500,000 kW, fall into three more or less distinct groups in terms of *per capita* power consumed. Singapore, China: Taiwan, Hong Kong and the Federation of Malaya[4] come first with the *per capita* annual consumption of 130 kWh or more. The Republic of Korea, the Philippines and Ceylon come second with a *per capita* consumption ranging between 17 and 53 kWh. (On the *per capita* basis both mainland China and India fall into this group). Cambodia, Laos and Viet-Nam, Indonesia, Pakistan, Burma, Thailand, Afghanistan and Nepal come third with the *per capita* consumption of less than 10 kWh.

Since in most of these countries, however, a large number of projects to expand the generating capacity have been in progress in recent years, the picture presented here cannot be considered enduring. In *Pakistan*, for example, the total

1. Accounding to the statistics published by the Bank of Korea (in the Republic of Korea) electric power generated in North Korea in 1944 can be estimated to have been 5,150 million wWh. This implies a *per capita* production of 735 kWh which is higher than that of Japan in 1954. See Bank of Korea, *Economic Review of Korea*, 1948, p. III-171-2.

2. State Statistical Bureau, "Communique on national economic, cultural and educational rehabilitation and development in 1952", in NCNA, 20 September 1953.

3. Wu Lung-hsi, "New China on the Road to Industrialization", in NCNA, Peking, 25 September 1953, stated that the 1952 power output was 143 per cent of the pre-1949 peak.

4. Including purchases from Singapore.

installed capacity of electric power was estimated to be 224,000 kWh in 1953/54. But in the field of hydro-electric power, work on the Karnafuli multiple-purpose project, with a generating capacity of 160,000 kW, is proceeding. The construction of the Warsak power project with a generating capacity of 150,000 kW, has also been taken in hand. Some of the important schemes for expansion of power are: (1) a thermal power station of 30,000 kW at Karachi, (2) improvement of the Sidhirgunj power station of 29,000 kW, (3) installation of a 10,000 kW diesel station at Lyallpore and also of two 4,000 kW diesel turbo-alternator sets at Lyallpore, which is at a fairly advanced stage of execution. Production of energy increased by 37 per cent in 1953 to a monthly rate of 34 million kWh, and in 1954 it was running at a monthly rate of 38 million kWh.

In *Burma* during 1954 the total area served by the existing power plants in 38 towns will be doubled and new generating plants and transmission lines will be installed in 25 towns. A few hydro-electric projects are being examined, of which Baluchaung project which will serve tin and wolfram mines with 21,000 kW (ultimately at 80,000 kW) appears most feasible.

In *Ceylon*, owing to financial stringency marked progress could not be made on Stage II of the Aberdeen-Laksopana hydro-electric scheme. It is expected, however, that with the assistance of the International Bank Loan (amounting to $19.1 million and approved in June 1954) the existing capacity of 25,000 kW will be doubled in 1954/55.

In the *Philippines* one of the major projects under construction is the multiple-purpose Ambuklao hydro-electric project, with an initial capacity of 75,000 kW. When the Ambuklao project is completed in mid-1955, it will have an average generating capacity of 366 million kWh annually. Part of this will go to Manila, where the power demand is the greatest and part to the mining centres and to some towns in Central Luzon. A national power corporation plan provides for 6 power plants in addition to the Ambuklao with a total ultimate power capacity amounting to 430,000 kW. The monthly average output of electricity in 1953 was 13 per cent higher than in 1952, and during the first eight months of 1954 it was 13 per cent above the 1953 level.

In *Thailand* the government decided in July 1954 to build in the provinces three thermal generating stations, taking advantage of the possibility of using lignite mined in Lampang. Hydro-electric power is being developed under the Yarn Hee project. It is expected to have an installed capacity of 320,000 kW. Electricity consumption in the Bangkok area has been steadily increasing; it was 18 per cent higher in 1954 than in 1953.

In *Indonesia* it is planned to develop about 100,000 kW in Asahan district during the next five years. As a result of the survey of the Asahan valley in north-east Sumatra, hydro-electric power from the surrounding regions shows the possibility of developing a capacity of 800,000 kW. This development could provide cheap power for a number of industries such as aluminium, fertilizers, pulp and paper, cement and iron and steel.

The *Republic of Korea*, which had the rated capacity of about 300,000 kW as of July 1953, set a three-year programme of increasing electric power.

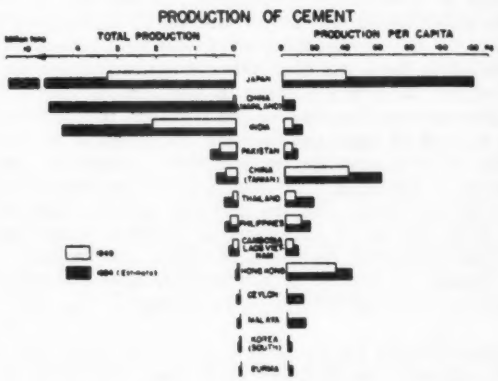
Afghanistan, which now possesses the generating capacity of 14,000 kW, has projects under construction totalling 31,000 kW, of which the Sarobie hydro-electric project, to be completed by mid-1956, is the biggest.

In *Singapore* the City Council started a new power development with a final capacity of 150,000 kW, of which one-third was completed in 1953 and the remaining two-third was expected to be completed in 1954-55.

Cement

Before the war the total quantity of cement produced in the ECAFE region including mainland China was around 10 million tons, of which 50-60 per cent were accounted for by Japan. After the drastic decline in the immediate post-war years, production began to pick up markedly after 1948 and a year later the total for the region is estimated to have gone above 7 million tons. The Korean war boom gave further impetus, and by 1954 the total production exceeded 22 million tons, a remarkable expansion in the short span of five years. Japan still accounts for about one half of the total, and mainland China and India for about 20 per cent each, followed by Pakistan, China: Taiwan, the Philippines, Viet-Nam and Thailand.

Chart 8



The cement industry in *Japan* in the post-war period has made rapid strides both in capacity and production and in quality. Production increased nearly six-fold between 1948 and 1954 from 1.8 million tons to 10.6 million tons as compared with the pre-war peak of 6.2 million tons (1939). Japan now ranks fifth in the world as a cement producer. The remarkable progress is attributable in part to the abundant availability of high grade limestone. In 1946, the operating capacity was only 2.5 million tons and output was less than 1 million tons on account of the coal shortage. From 1948, however, when coal was decontrolled, output rose rapidly, especially after mid-1950 with the outbreak of the Korean war. The annual rate of growth in production after 1949 was 36 per cent for 1950, 47 per cent for 1951, 9 per cent for 1952, 23 per cent for 1953 and 21 per cent for 1954. The outlook for the industry is promising with brisk construction demand from the domestic as well as foreign markets, but the expansion of new plants may be less rapid owing to rising costs.

In 1954, *China* became the second largest cement producing country of the region. The rate of increase in the mainland has been extremely rapid during the past five years; the current production is officially reported at an annual rate of 4.7 million tons, a level more than twice the pre-1949 peak of 2.1 million tons.[1]

The expansion of the cement industry in *India* has also been fairly rapid. Installed capacity increased by about 50 per cent between 1949 and 1953 from 2.8 million tons to 4.2 million tons. The expansion during 1953-54 (about one million tons in one year) which was brought about by the construction of three new cement plants and the expansion and modernization of seven existing ones, is especially notable. Actual production of cement more than doubled from 1.6 million tons in 1948 to 3.8 million tons in 1953, while in 1954 it was running at an annual rate of 4.3 million tons. Expansion schemes are in various stages of implementation which should raise the annual capacity of the cement industry to 6.6 million tons by 1955/56 as against the planned target of 5.3 million tons for that year.

At the time of partition in 1947 there were 4 cement factories in West *Pakistan* and one in East Pakistan with a total annual capacity of 430,000 tons. The government hopes to expand the annual capacity by 470,000 tons by expanding existing capacities and construction of new plants. Already the expansion of Wah Cement Works to 100,000 tons has been completed and the expansion of the Chattak factory to 75,000 tons is expected to be completed by the middle of 1955. In addition, the Pakistan Industrial Development Corporation is setting up one factory at Daud-Khel (Punjab) and another at Hyderabad (Sind) with annual capacities of 100,000 tons and 120,000 tons respectively. A private company has been given permission to set up a cement plant with a capacity of 600 tons per day. The completion of the plants at Hyderabad and Daud-Khel will raise the current production of cement to 650,000 tons per annum which will be still short of the domestic requirements by approximately 250,000 tons. Actual production of cement has increased from 530,000 tons in 1952/53 to 596,000 tons in 1953/54.

In *Thailand*, production of cement had increased steadily from 229,000 in 1951 to 288,000 tons in 1953 and 375,000 tons in 1954 (estimated). A new plant with an annual capacity of 60,000 tons will soon be constructed with a capital of 60 million baht, with technical and material assistance from the United States and Japan.

In *Viet-Nam* the 1953 output of cement, at 290,400 tons, exceeded the pre-war (1941) level by 9 per cent. Production in the first half of 1954 continued at about the same level as in 1953. The fate of the cement plant at Haiphong, in North Viet-Nam, with an annual capacity of 300,000 tons, remains to be decided along with that of other industries there.

The Burma Cement Company Ltd., the only producer of cement in *Burma*, had a rated capacity of 60,000 tons annually before the war. In the post-war period production rose from 36,000 tons in 1951/52 to 45,000 tons (or 75 per cent of rated capacity) in 1952/53 with occasional shutdown for overhaul and repairs. In 1953/54 production is estimated to have reached 58,000 tons or over 90 per cent of the rated capacity. Current production, however, is not sufficient to meet the growing demand of rehabilitation and reconstruction so that about 46,000 tons had to be imported in 1953. It is planned to erect a new cement plant in Rangoon with a capacity of 120,000 long tons.

At the close of the war in Korea there was only one cement plant in the *Republic of Korea* which, after rehabilitation, had an annual capacity of about 100,000 tons against annual domestic requirements estimated at 600,000 tons. With the assistance of UNKRA, construction has begun on a new cement plant with a capacity of 100,000 tons per year, to be situated in Mongyung county. Production from the existing plant in the fiscal year 1954 (July to June) amounted to 53,000 tons as compared with the annual rate of production of 23,000 tons in 1950.[2]

There is also one cement factory in *Ceylon* established in August 1950 with an annual capacity of 100,000 tons. Actual production in 1953 amounted to 66,000 tons while production in 1954 was running at an annual rate of 80,000 tons. The annual domestic demand, however, is estimated at 190,000 tons; and plans are under consideration to double the capacity of the cement factory by the installation of a second kiln.

Chemical fertilizers

The wide-spread use of chemical fertilizers in agriculture in the region is of rather recent origin. Even in Japan, which is most advanced in this respect, the output of ammonium sulphate in the early 1930's was less than 300,000 tons *per annum* and an extraordinary expansion took place only in that decade. A significant development before the end of the war was the construction in Hungnam (North Korea) of the largest nitrogenous fertilizer plant in Asia, with an annual capacity of 548,000 tons for ammonium sulphate and 132,000 tons for ammonium phosphate. The production of the former in this plant in 1944 is reported to have been 400,000 tons.[3] The fate of the plant in the course of the Korean war is not known. In the post-war period, mainland China and India have made rapid strides in expanding capacities for the production of chemical fertilizers.

In *Japan* the chemical fertilizer industry was, like coal, iron and steel, given priority by the government for the expansion of food production. It was given priority in loans, allocation of materials and many other respects, so that it recovered ahead of other industries and was able within a few years to exceed the pre-war level in the production of ammonium sulphate, calcium superphosphate and calcium cyanamide. Among nitrogenous fertilizers, the most important item was ammonium sulphate, production of which expanded from 917,000 tons in 1948 to 1.9 million tons in 1953, though the annual capacity reached 3 million tons. Other chemical fertilizers have also shown similar increases. Rationalization is being carried out in the nitrogenous fertilizer industry and there have been signs of over-production in the last few years.

In *India* a notable achievement in the chemical fertilizer industry is the establishment of the government fertilizer factory at Sindri in 1951, producing ammonium sulphate. The production of this factory increased from 34,800 tons

1. For 1954 estimated production see *infra*, chapter 10 on China; for pre-war peak see W.W. Rostow and others, *The Prospects for Communist China*, (published by the Technology Press of Massachusetts Institute of Technology and John Wiley & Sons, New York, 1954), p. 239.

2. For 1950, only the production figure for the first six months is available. The annual rate figure is obtained by multiplying this by two.

3. Bank of Korea, *Economic Review of Korea, 1948*, p. I-106.

in 1951/52 to 249,000 tons in 1953/54, although it was still producing below capacity. An expansion programme is under way in the factory to produce other types of fertilizers, such as urea and ammonium nitrate. The significance of the factory is that it is designed to serve as a nucleus around which other chemicals and allied industries can develop. The installed capacity for superphosphate fertilizer in 1953/54 stood at 211,000 tons, but actual production declined from 57,000 tons in 1951/52 to 50,000 tons in 1952/53 owing to marketing difficulties. The total capacity of ammonium sulphate production at the end of March 1954 stood at 427,000 tons.

In *China* it is reported that annual supply of chemical fertilizers in the mainland through the State-trading organizations and co-operatives increased from 119,000 tons in 1949 to 500,000 tons in 1953. But the requirements of ammonium sulphate alone for the production of paddy rice, wheat and raw cotton are said to be as high as 6 million tons; and the capacity is being expanded rapidly.[1]

In *Pakistan* the Industrial Development Corporation has undertaken to help the fertilizer factory at Daud-khel which would provide 50,000 tons of ammonium sulphate by the middle of 1956. The plant is estimated to cost Rs 63.5 million and the United States will contribute $10.5 million in providing engineering, consulting and training services as well as machinery and equipment. In addition, the corporation, together with a private company, will convert the sulphuric acid plant at Lyallpore to produce 6,000 tons of superphosphate *per annum*. The total installed capacity of this plant by the end of 1954 would be 15,000 tons *per annum*.

Expansion of chemical fertilizer industries is planned in the *Philippines* and the Maria Cristina fertilizer plant started work in January 1954.

Engineering industries

The development of a well-rounded engineering industry is a mark of advance in the process of industrialization of a country; and here too Japan leads other countries of the ECAFE region by a wide margin, followed by China and India.[2]

In *Japan* the share of engineering industries in the total value of manufacturing products was already 13 per cent before the war (1934-36), exclusive of machinery, instruments, vehicles, etc. manufactured in the government-owned aresenals and factories. Such a share increased markedly during the war; but the post-war adjustment brought it down again to the level of about 15 per cent (1950-51), leaving in the wake excess capacities in many lines, in particular, steam locomotives, machine tools and ball-bearings. Thus recently strong efforts have been made to expand the market abroad, and the share of engineering products in the total export value of Japan has increased from 7 per cent before the war (1934-36) to 12 per cent in the post-war (1952-54) period. Considering that the quantum index of exports in recent years is lower than the pre-war index, the absolute level of exports of engineering products may not be as large as this comparison indicates. But the normal pre-war markets for Japan's engineering products, *i.e.* China and Korea which together took more than 80 per cent of the total in the decade 1930-40, have been severely curtailed in recent years, while sales to other countries have increased many-times. It is worth noting that in the post-war period exports of cameras, machine tools, sewing machines and steel vessels have made big gains, while those of electrical machinery and vehicles have declined in comparison with the pre-war figures. In 1953 one-third of the vessels and one-fourth of the machine tools produced in Japan were exported. The vicissitudes of Japan's engineering industry are well indicated by the fact that whereas in 1954 the group index of production for that industry was the second highest (257) among all the industrial groups relatively to the pre-war base of 1934-36 as 100, it was the lowest (55) among all the groups relatively to the pre-1945 peak.

In *China*, rapid development of engineering industries in the mainland appears to be one of the top priorities at the present time. From the very first year of the Five Year Plan (1953), the rate of growth over the previous year was reported to have been 64 per cent in the State-owned sector.[3] Although such a high annual rate of increase is natural for any less developed sector of industry, the share of engineering products in the total value of manufacturing in the North-East (14 per cent) is already as high as that of Japan in 1952 and many types of machinery, vehicles and instruments have been produced for the first time in the course of the last two years. Among the latter type of machinery mention may be made of a 61-ton ore-crusher capable of crushing 500-800 tons of ores per hour, 6,000-kW turbo-generator, a 20,000 kVA transformer, a planer capable of processing 10-ton casts, etc.[4]

The progress made in *India* recently in the field of engineering industries is generally quite rapid, but is somewhat uneven relatively to the targets set in the Five Year Plan. The engineering product group in the index of industrial production has risen by 131 per cent between 1948 and 1954,[5] largely influenced by the expansion in the production of electric motors, diesel engines, and power transformers. From the developmental point of view, however, it is far more important to note the good progress made in the government locomotive and railway coach factories and also the manufacture, for the first time, of such products as multi-spindle drilling machines. Generally speaking, the development of engineering industries in India has not received special emphasis in the first Five Year Plan and remains a task for the future.

Other countries of the region are still in the infant stage so far as engineering industries are concerned. *Pakistan* has made some progress in light engineering fields, such as agricultural implements and electric fans, and with the aid of foreign capital and technicians it is planning to construct a telephone equipment manufacturing plant and a truck and bus assembly plant. *Hong Kong* has an annual capacity of 80,000 tons in shipbuilding and diesel engines are manufactured in the ship-building yards.

1. Data submitted to the First Agricultural Exhibition of the East-China Region. See also, *People's Daily*, 17 December 1953 and 3 March 1954. A significant portion of the chemical fertilizers required, especially ammonium sulphate, was inported in 1954.
2. Korea had developed, even before the war, a number of engineering industries. In 1940, for example, the over-all ratio of domestic production to total supply of engineering products was 25 per cent, subsequently increasing to 52 per cent in 1944. In terms of value of production, the engineering industry occupied 6 per cent of the total for manufacturing in 1943, as against 14 per cent for metals, 29 per cent for chemicals, 17 per cent for textiles and 19 per cent for food-processing. Main engineering products at that time were: simple processing machinery, motors, ships and weights-and-measure instruments. See Bank of Korea, *Economic Review of Korea*, 1948, p. I-100-105.
3. *People's China*, 16 June 1954.
4. *China Research Institute, Comprehensive Handbook on China, a special number of the China Economic Annual Report*, 1954 (in Japanese), Tokyo, p. 290. Also *People's China*, 16 June 1954.
5. The annual rate of production in the first half of 1954.

Cottage and small scale industries

Apart from the general desire to develop industry on modern factory lines, most countries of the region also emphasize the important role and position of small-scale and cottage industries in their economies. Such industries can be broadly classified into three types: (*a*) those which serve as a feeder to large-scale enterprises by manufacturing designated parts and components or by taking overflow orders in times of brisk demand, (*b*) light-mechanized or handicraft[1] industries which are generally under the management of individual proprietors, and (*c*) those which, organized on a co-operative basis, service generally the productive units engaged in any line of industry, through supply of processed materials and technical know-how, besides rendering such services as financing of the production and finishing and marketing of the products of the manufacturing units engaged in that industry. This centralization of certain vital operations of the productive units in "common facility" service organizations enables the operative units of that industry to achieve standardization and quality control in their products at low production cost. The first type of industry is highly developed in Japan and the second type is quite common throughout the region. The third type is again most developed in Japan and is progressively being encouraged in Indonesia, India and other countries in the region.

The centralization of the technical processing operations in the common facility service organizations in different countries of the region varies according to the needs of the industry in individual countries. In the hand-loom industry these operations generally cover the preparation of warp beams for supply to the productive units and the imparting of "finish" to the woven fabric produced by the units. In the ceramic industry clay compounds and glaze are prepared for supply to the ceramic manufacturing units. The productive units often utilize the common facility service kiln for firing their products. In the paper industry the production of pulp is centralized, and quite often glancing process is an additional facility afforded by the common facility service units to their affiliates.

Although precise data relating either to employment in the cottage and small-scale industries or to their relative share in the total manufacturing output are lacking in most countries, it is widely accepted that such industries do provide gainful employment especially to surplus rural population and under-employed masses which cannot be absorbed rapidly by large-scale industries.[2] For instance, it is estimated that in India at present more than 10 million people depend for their livelihood on the hand-loom industry (which is considered to be the most important and wide-spread cottage industry in the region). In Japan in 1951 about 41 per cent of all the employees of the manufacturing industry were occupied in establishments employing less than 30. In Ceylon it has recently been decided to put the emphasis on the promotion of small-scale industries rather than large-scale industries which have proved a costly failure. In mainland China 19.3 million workers are engaged in the handicraft and small-scale industries which together are reported to have accounted for 31 per cent of the total value of industrial production in 1952. These industries are considered especially important as suppliers of manufactured goods for farmers,[3] as institutions necessary for the training of skilled workers required in the process of industrialization, and as a transitional pool for solving the under-employment problem. Many countries of the region also take a clue from the example set by Japan[4] where small-scale and cottage industries persist side by side with modern large-scale factories.

Against these advantages, however, there are also inherent weaknesses in such industries, notably their weak competitive position in purchase of raw materials and marketing of finished products, credit availabilities, etc., and there is, therefore, a growing realization among the countries that in order to overcome these weaknesses, State aid in some form or other is indispensable to create favourable conditions for the growth of small-scale and cottage industries, at least in the initial stage of their development. On the other hand, many countries realize also that an indiscriminate policy of helping small-scale industries, should it perpetuate low *per capita* incomes, might be harmful.

State Aid

State aid to cottage and small-scale industries has in the past taken sundry specific forms; but recently there has been a trend towards comprehensive assistance which is best exemplified by the proposed establishment of a Small Industries Corporation in *India*. It is reported[5] that the corporation will be set up in early 1955, in pursuance of the recommendations of the Ford Foundation international planning team on small industries, as a private limited company with an authorized capital of about Rs 2 million to be augmented by additional financial assistance from the government as and when required. The primary purpose of the corporation will be to organize production by small industries for meeting government orders, (*a*) by rendering financial and other assistance to enable them to undertake the production of the required items, and (*b*) by providing engineering supervisors to assist with designs in order to ensure that production conforms to given standards and specifications. The corporation will also serve as a channel for the placing of orders by large-scale enterprises on small units for parts and components.

In *Indonesia* also a similar trend is seen in the Two-Year Urgency Industrialization Plan (1951-52), which is still in force, pending formulation of a long-term plan. The Plan includes the establishment of central production and processing units including ceramics, tiles, forging, tanning, porcelain etc. to be organized under modern techniques through mechanization, standardization and co-operative marketing with a view to strengthening the competitive position of small-scale industries.[6]

Apart from these comprehensive attempts to encourage cottage and small-scale industries, State aid may be classified under the following three headings: (*a*) organizational—creation of handicraft co-operatives for purposes such as purchase of raw materials and marketing of products, (*b*) financial—low interest rate credit available to such industries;

The most important types of handicrafts in the region are: hand-loom weaving; ceramics, such as pottery, tiles, etc.; hand-made paper; bamboo and lacquerware; and wood and leather works.

The general shortage of capital and technical skills in the region is used as a further economic justification for the promotion of such industries as are inherently capital-saving or labour-intensive and require relatively simple labour skills.

3. About 60 to 70 per cent of such goods are said to be supplied by handicraft and small-scale industries. See *People's Daily*, 13 July 1954.
4. A study tour of Japan by cottage industry experts, sponsored jointly by ECAFE and TAA, took place in April-May 1954.
5. *Times of India*, 31 December 1954.
6. *Infra*, chapter 13 on Indonesia.

and (*c*) technical—operation of pilot plants, designing practical field and laboratory studies and dissemination of the methods and results obtained.

(*a*) *Organizational aid*

In *China* the mainland had 4,806 co-operatives with about 300,000 members at the end of 1953, and it is the policy of the government to increase the number of members to 5 million by 1957.[1] Production plans of "producers' co-operatives" are dove-tailed into the over-all Five-Year Plan of the Central People's Government and special facilities are given to them as regards supply of raw materials and marketing of products. In *India* the formation of industrial co-operatives is being encouraged by the government for purposes of credit, bulk purchases of raw materials and joint sales of finished products. A significant development in the marketing of hand-loom cloth was the recent opening of sales depots in rural areas and the formation of a central marketing organization with a special design section for promoting external marketing. In *Indonesia* the central production and processing system exists for the purchase and distribution of raw materials (it is similar to the common facility services available in Japan). In *Japan* the organization of co-operative associations has been the most effective way of overcoming certain inherent defects in the cottage and small-scale industries. Voluntary associations of manufacturers' organization formed industry-wise by areas are highly developed. In the *Philippines* the Industrial Development Department of the Price Stabilization Corporation (PRISCO) is attempting to promote cottage industries. At present PRISCO has a weaving project, a wood and bamboo project and a pottery project.

(*b*) *Financial aid*

Most countries of the region, with the exception of Japan, have neither proper machinery nor adequate funds for financing the requirements of small-scale industries and handicrafts, with the result that usurious money leaders have to be resorted to. Some progress, however, has been achieved by a few countries in setting up financial institutions to help small-scale industries. In *Burma* an Industrial Development Corporation was set up in 1952 and lending to co-operative institutions by the Co-operative Department has been liberalized. The Union of Burma Co-operative Bank, with a capital of K 1.5 million, was expected to begin operations in the fiscal year 1954/55. The share capital is to be purchased by registered co-operative societies, Burmese nationals and corporate boards while the government's financial contribution will be only in the form of loans. While the Co-operative Bank will have powers to engage in general banking business, the funds will be used primarily to grant loans to co-operative societies. To State governments in *India* have set up Industrial Finance Corporations under the State Aid to Industry Act, while subsidies are being given through budget allocations to industrial units supervised by various boards, such as the All-India Khadi and Village Industries Board (set up in 1953), the All-India Handloom Board (in 1952) and the All-India Handicrafts Board (1952). A sum of Rs 150 million was provided by the Central Government for the development of small-scale[2] and cottage industries of which only a fraction (Rs 4.3 million) was spent during the two years 1951/52 and 1952/53, partly owing to the delay in setting up the organizational bodies to help those industries. However, for 1953/54 the rate of expenditure was stepped up to Rs 7.9 million. Financial assistance to the khadi[3] and hand-loom industry has also been provided out of a cess fund,[4] resulting in the increase in production from Rs 7.1 million worth of khadi in 1952 to Rs 13.6 million worth in 1953. Further, a sum of Rs 2.2 million was spent during 1953/54 by the All-India Khadi and Village Industries Board on the development of village industries such as soap making, hand-made paper, village pottery, leather and oil industry, etc.

In *Ceylon* a budget allotment of Rs 1 million in 1953/54 has been sanctioned for the immediate development of at least 20 small-scale industrial units[5] including cast-iron ware, steel implements, non-ferrous metals, fabricated and machined products, roofing tiles and clay, plasters, electric goods, power-looms, small-scale sugar factories etc. It is estimated that the development of these industries will help to save foreign exchange to the amount of Rs 700 million out of Rs 1,700 million worth of imports annually. In *China* the People's Bank and other national banks in the mainland set aside a specified proportion of total annual loans for lending to "producers' co-operatives" and allowed special reduction in the rate of interest charged to them. The Government of *Indonesia* has appropriated certain large sums for aid to industries in this sector mainly for the purpose of mechanization of small enterprises though no corporate institution is being set up. In *Pakistan* an autonomous corporation is being set up to provide credit facilities to small-scale industrial projects, while in the *Philippines*, with the exception of a certain amount of financial assistance available from PRISCO, credit facilities for the cottage and small-scale enterprises are not well developed.

In *Japan* the establishment of the Smaller Enterprises Finance Bank in August 1953 was a significant event in the field of small-scale finance. The bank will meet the need for long-term loans for the promotion of certain enterprises which could not secure financial help from ordinary banking institutions. Its funds comprise the budgetary allocations made by the State. Those eligible for loans from this bank are enterprises with a capital of not more than Y10 million and employing not more than 300 workers. Individual loans are limited to Y10 million re-payable in one to five years. In addition, there are several other credit institutions such as the People's Finance Corporation, credit co-operatives, Central Bank for Commercial and Industrial Co-operatives, Mutual Loans and Savings Banks, etc. which finance small-scale industries. The Smaller Enterprises Credit Insurance, established in 1950, also serves as an important system in aid of small-scale industries by insuring, through appropriations in the special account of the government budget, loans advanced by commercial banks to smaller enterprises (defined as with capital of Y5 million or less and/or employees numbering 200 or less) and co-operatives of small-scale industries.

It must be noted, however, that the experience of many countries in the region shows that the weakness of small-scale industries is often due to complex causes involving many aspects of the economy and that financial assistance as such is not sufficient to make those industries prosper.

1. *People's Daily*, 13 July 1954.

2. In 1953/54 financial provision was made for intensive development of ten out of twelve selected small-scale industries, including foot-wear and leather goods, leather tanning, glass-ware, cutlery, cycle parts, locks, carpentry and working, blacksmithy, sports goods, etc.
3. Hand-woven cloth from hand-spun yarn.
4. A cess of 3 pies per yard is levied on mill-made cloth, which is expected to yield Rs 60 million a year.
5. The Minister of Industries defines small-scale industries as decentralized factory industries rather than enlarged cottage industries.

(c) *Technical aid*

In the field of technical aid by the government, the erection of pilot plants and the establishment of demonstration centres and research facilities to help small-scale industries are being carried out in Burma, mainland China, India and the Philippines. In 1953, the Government of *Burma* entered into a contract with the Armour Research Foundation of the Illinois Institute of Technology (USA) for the development of industrial research. Also, with the help of United Nations experts, concrete schemes to improve the production techniques have been evolved in respect of cottage industries such as pottery, textile screen printing, hand-made paper, power-loom weaving, sericulture, etc. In *Ceylon*, the Department of Industries helps in the design of simple-type equipment for small-scale industries and engineering details of each industry with a view to achieving maximum economy of capital. In *India* incentives such as preferential purchase of stores, reservation of spheres of production to different types of units, non-expansion of the capacity of large-scale units etc., have been given with the object of creating a favourable atmosphere for improved techniques of manufacture in the small-scale sector. Further, on the recommendation made by Ford Foundation Team in its report of March 1954, the government has decided the early establishment of four regional institutes of technology for small industries.

INLAND TRANSPORT

The vital role of transport as a principal factor in determining the pace of economic development is receiving increasing attention in the planning and implementation of national development programmes in all the countries of the region. However, taking the region as a whole, the overall shortage of transportation facilities of all types still persists. Besides, the progressive implementation of the various economic development projects and the consequent increase in agricultural and industrial production have continued to generate greater demands particularly for rail transport, especially in those countries which have embarked on large scale development programmes; but actual achievements are falling behind these demands. Also, the countries of the region are faced with the problem of planning a co-ordinated and economically rational development of the different means of transport so as to meet the present, and the increasing future demands.

Rail transport[1]

Except in the case of Burma and the Philippines, there has been a steady increase in the number of *locomotives* available for traffic. The increase in the number of motive power units in India is particularly noteworthy because, although at the time of the partition of the Indo-Pakistan sub-continent about one-eighth of the total stock was handed over to Pakistan, during the last few years the Indian Government Railways have not only steadily added to their stock but have actually passed the pre-war level. Other significant additions to power capacity were those in Ceylon and Indonesia. However, the Republic of Korea appears to have been operating with a steadily declining stock of locomotives since 1948.

Generally speaking, there has been a steady increase in all countries in the number of *freight cars* available for service as compared with both pre-war years and 1948. Ceylon and Thailand have recorded significant increases, while the upward trend is also noticeable in other countries, except Burma which has shown a considerable decline in freight car holdings.

Taking the region as a whole, the position in regard to *passenger cars* appears to be satisfactory. In all countries except the Philippines and the Republic of Korea, there have been additions to the passenger carrying capacities of railways.

As regards lengths of *railway networks*, an all-round increase in most of the countries is indicated. China, India, Indonesia and the Federation of Malaya, and to a lesser extent the Philippines and Thailand, have either by rehabilitation or new construction brought into service additional lengths of railways since 1950.

Difficulties encountered and measures to overcome them: In nearly all countries, apart from the general inadequacy of carrying capacities to meet traffic demands particularly in the busy seasons, one of the principal difficulties is the limitations on traffic movements imposed by insufficient operating capacities on many sections of single track,—which make up most of the railway networks in the region,—and at important junctions. Consequently, the main effort, apart from rehabilitation and opening of new lines or restoration of facilities abandoned earlier, has been concentrated on increasing such operating capacities either by introducing improved techniques or by providing new facilities.[2]

Other more important steps taken by the railways of the region to break bottlenecks include the opening of new lines, provision of missing links, double tracking of busy lines; remodelling of yards and increase in transhipment facilities at junctions; modernization of operations such as signalling etc.; electrification of busy sections and dieselization of motive power. For example, the inauguration in March 1954 of the 300 km rail link between Hingoli and Khandwa, India, has established direct connection between the northern and southern metre gauge systems of the country, facilitating greatly transhipment capacities at break-of-gauge junctions. In Pakistan, the most important project in this connexion is the proposed remodelling at Rohri, which includes provision of separate and more adequate facilities for handling freight and passenger traffic. In Thailand the regrading of the Kaotao-Hua Hin section on the southern main line of the Royal State Railways has been completed and it is further proposed to introduce automatic coupling, so as to increase the number of freight cars handled by locomotives for increasing carrying capacities. The Royal State Railways are also converting manually operated points to mechanical operation so as to expedite train operation.

In China, the principal effort in the mainland seems to have been in the direction of new construction during the last five years. Available sources of information indicate that the rehabilitation of the railways was completed by 1951, and

1. Special table E in the section on Asian Economic Statistics gives the number of locomotives, passenger and freight cars and lengths of railway networks in the countries of the region.

2. An important development in this regard was the opening on 8 April 1954 in Lahore, Pakistan, of the UN TAA-sponsored Regional Training Centre for railway operating and signalling officials. The main object of this Training Centre is to impart to the railway officials of the region, through instruction and demonstration, the knowledge and experience of the more developed countries on advanced techniques which can help in the solution of the problem.

new construction had already begun during the previous year. Although it is not possible to gauge accurately the total new construction of railways, from officially published figures it may be estimated that 2,261 km of new construction took place between 1950 and the end of 1954.

Special mention may also be made of the electrification schemes in India and Japan[1] and those being considered in Ceylon and China: Taiwan, and the increasing dieselization of motive power in Indonesia, Pakistan and Thailand. It is hoped that the use of diesel power, which is more economical, will make for quicker rail movement and more efficient operation. Both Indonesia and Pakistan, which have already gone in for dieselization on a fairly large scale, further augmented their stock of diesel motive power units. It is reported that during 1954 the Pakistan railways added 29 diesel power units and 25 oil-burning locomotives. The Burma railways have also been considering the possibility of using diesel power and are actively studying the programme of dieselization in Pakistan.

Developments of international railway links: One of the important developments in the field of international rail communications has been the agreement reached early in 1954 between India and Pakistan to re-open the through passenger rail traffic between Lahore (West Pakistan) and Amritsar (India). Efforts are also being made to re-open services on the Ferrospur-Kamar route and Jodhpur-Hyderabad (Sind) route. It is also reported that active negotiations between the governments of Thailand and Cambodia are taking place for the resumption of through rail services between the two countries and that all the technical arrangements have been completed. The resumption of the bi-weekly passenger service between Penang (Federation of Malaya) and Bangkok (Thailand) from 3 January 1954 is a further important development. The Governments of Burma and Thailand are exploring the possibilty of reviving the land link by rail between the two countries which existed during the war. Technical and other difficulties, however, still remain to be overcome, and it is understood that generally a highway link is preferred to the rail one. In mainland China, with the signing of the new agreement with the USSR in October 1954, two railway lines will be built for connexion with the Trans-Siberian Railway, namely, the Chining-Ulan Bator line via the People's Republic of Mongolia and the Urumchi-Alma Ata line via the north-western province of Sinkiang or Chinese Turkestan. Besides, mainland China will also be connected with North Viet-Nam through the Laiping-Munankwan railway and the Haiphon-Dong Dang line through the construction of a section between Dong Dang on the Vietnamese border and Munankwan on the Chinese border, in accordance with an agreement between the two countries reached on 28 December 1954.

Highways and highway transport

The general shortage of highways of all types to meet the rapidly growing demand for road transport continues to be felt throughout the region. However, the information available in respect of many countries being incomplete, it is not possible to draw general conclusions.[2]

Among the more important difficulties common to most countries, which are hampering a rapid implementation of highway development plans, are, aside from finance, the lack of modern road-building equipment, continuing shortage of trained operators to handle road-building machinery, delays in procuring spare parts, shortage of trained engineers, and, in some countries, organizational and administrative difficulties. Generally speaking, the supply of road-building materials seems to be satisfactory, but a lack of aggregate stones has made it difficult to have a hard-paved surface, for example, in parts of Thailand. The possibility of using alternative materials and methods is being investigated. Continued insecurity in parts of the Federation of Malaya and widespread floods in parts of north-eastern India and East Pakistan have also created special problems of construction and maintenance during 1954.

The efforts on the part of several governments in the region have been largely directed toward the development of low-cost roads so as to increase highway networks of the lower types of surface with a moderate financial outlay. An important contribution to highway development is also being made by foreign aid agencies such as the United States Foreign Operations Administration (FOA) and the Colombo Plan through the supply of technical assistance—including training of technical personnel or supply of equipment—or financial aid. Under the FOA assistance the road building equipment of Thailand was increased by more than 50 per cent.

Continued restrictions on imports and a high rate of depreciation arising from poor standards of maintenance and repair have tended to bring about a shortage of mechanized road transportation and the uneconomical utilization of available equipment. China: Taiwan, Hong Kong, the Federation of Malaya, India, Japan, Pakistan, the Philippines and Thailand have all added to the number of commercial vehicles registered since 1948.[3] Burma has, however, registered a big drop since 1948 and has not yet recovered even the pre-war level.

Highway development plans: The development of road transport as a means of meeting the increasing demand for transport arising from the implementation of economic development plans is receiving due attention in governmental planning in some countries. The Government of *India* has recently set up an inter-departmental study group to examine, *inter alia*, the problem of supplementing rail transport by road transport. Meanwhile, good progress under the Five-Year Plan is reported in the development of both national and State highways. A noteworthy progress has also been made under the community development projects in developing rural roads. The people's contribution in cash, labour and materials in such road construction is reported to be nearly $4.2 million against a total government expenditure of $7 million. The Government of *Ceylon*, with the assistance of the Canadian Government under the Colombo Plan, proposed to improve 5,202 km of

1. The Indian Government Railways have recently undertaken extensive surveys for the electrification of the lines serving the industrial belt in Bihar and West Bengal and the Calcutta suburban areas. The object of this electrification scheme is to relieve the heavy pressure on the suburban passenger services in the Calcutta area, where steam traction has reached saturation point, and to facilitate movements in the industrial areas. It is also understood that work in connection with the electrification of the Tokaido line on the Japanese Natinoal Railways is continuing, and by the end of 1954 work was being carried on between Hamamatsu and Inazawa, a length of about 120 km.

2. Available details of the lengths of highways of all types in the region are given in special table F, in *infra*, section on "Asian Economic Statistics".

3. *Ibid.*

existing roads and to undertake the construction annually of about 650 km of rural roads over a five-year period beginning 1953/54. Under rural development projects, 483 km of roads have already been improved on a self-help basis. The Government of *Indonesia* is planning the development of 2,000 km of highways including the linking of Menado and Makassar at an estimated cost of $34.1 million. Work is expected to commence in 1955. Big highway development projects are being planned by the Government of *Pakistan* for the development of economically backward areas in the North-West Frontier Province, for opening up agricultural areas and improving fair-weather roads in Baluchistan and for connecting the major townships in Sind province.

The Government of the *Philippines* is endeavouring to overcome the lack of roads, which has been handicapping the resettlement on the rich agricultural lands in the island of Mindanao, by constructing new roads and accelerating progress on projects already under way. The Ministry of Public Works is setting up a committee to plan the use of funds to be borrowed to finance the $479 million ten-year major highway projects. The Central Bank of the Philippines has recently sold 4 per cent public works bonds worth $2.5 million to seven banks in the country, in order partly to finance the highway programme of the government. The main preoccupation of the Highway Department of the Republic of *Korea* has been the reconstruction and rehabilitation of bridge and roads destroyed during the war. The plans include a five-year programme providing for the reconstruction or improvement of over 2,700 bridges and 750 km of national and provincial highways, and 1,700 km of other roads are also scheduled for repair and paving. Considerable highway development activities, principally in the field of survey and technical planning with the co-operation of Indian Army engineers under the Colombo Plan, are reported from *Nepal*. The present length of 400 km of roads is expected to be increased by 1,132 km in the seven-year programme, designed to connect important centres in this isolated mountain kingdom with the adjoining territories in India. Under a loan authorization of $18.5 million by the United States Export-Import Bank to the Government of *Afghanistan* to assist in financing purchase of materials, equipment and services for the Helmand River Valley development, it is proposed to organize and train a road maintenance unit, and certain roads in the Kabul area are to be selected as pilot projects. As a means of financing certain important road and bridge construction and maintenance, the Government of *Thailand* has, by recent legislation, designated specific roads and bridges on which all vehicles will pay tolls.

Considerable additions to the length of highways in operation in the mainland[1] are reported from *China* also. Of the newly built highways open to traffic the most notable appear to be the 2,255 km Sikang-Tibet highway and the 2,100 km Chinghai-Tibet highway, in the construction of which a large civilian labour force has been employed in co-operation with the Army.

International highway links: At present, highway links exist between Afghanistan and Pakistan, Pakistan (East and West) and India, India and Burma (the war-time Ledo Road is being rehabilitated), Thailand and Cambodia, Thailand and Malaya, Cambodia and Viet-Nam, Laos and Cambodia, and Laos and Viet-Nam. Attempts, it is understood, are being made to re-open a road link between northern Burma and mainland China. There were two roads connecting Thailand with Burma, but the southern link is almost unusable. The Shan States in northern Burma can, however, be reached via a road in northern Thailand. The Governmenets of India and Nepal are also co-operating to open up and improve land communications between the two countries.

Inland waterways

In South-East and South Asia, significant changes have recently taken place which are bound to result ultimately in a radical alteration of certain aspects of inland waterway transport and in an improvement of its economy. The changes are due to (*a*) development of reliable diesel engines for marine use, to replace the bulky and relatively more expensive steam engines; (*b*) improvements of welding technique and design for welded construction in ship-building, which make further weight reduction possible; (*c*) improved towing methods (particularly push-towing) and improved design of tugs using tunnel sterns and Kort nozzles which permit a reduction of fuel consumption.

In South-East and South Asia these developments have now become well-known, and everywhere there are signs that the tide has already turned. In *Viet-Nam*, amidst thousands of wooden junks, a pusher flotilla has recently started operation; fitted with diesel engines, it carries oil from Saigon to Cambodia. In *Cambodia*, the government has plans for obtaining a pusher fleet to operate on the Mekong river after certain improvement work has been carried out to increase the perennial navigation depth of the river. In *Laos*, the government has already built ten units of a new fleet, fitted with diesel engines and partly fit for push-towing, to revive inland waterway transport for the import of goods along the Mekong river.[2] In *Thailand*, the government has drawn up a programme of development of two main rivers, consisting of a series of projects, the first one of which has already been completed. The programme calls for improvement of the navigable depths of the waterways concerned, construction of prototypes of sand and gravel barges and paddy barges with suitable tugs for push-towing. The barges will be of all-welded design and the government proposes to set up specialized yards for their construction and repair. In *Burma*, the government-owned Inland Water Transport Board is about to place orders for a large pusher flotilla. The decision to order these craft has been reached after careful research and study of the types of craft used in various parts of the world.

On the Indo-Pakistan sub-continent, extensive trials in *Pakistan* have been held to establish to what extent push-towing would be feasible and whether existing craft could be used for the purpose. Results have shown that considerable savings on fuel costs could be obtained and the government is planning to set up a large demonstration pilot project with pusher craft. Efforts are now being made to obtain the necessary funds. In *India*, private companies have been experimenting with some existing craft to establish the

1. 138,585 km of roads were reported to be in operation at the end of 1953, of which 40,000 km were said to have been either rehabilitated or newly built since 1949.

2. It has been established that on this route, this method of transport, which, when steam engines only were available, could not compete with road transport, will once again be in a position to do so as it will be the most economic method for long-distance haulage of bulk cargo.

feasibility and efficiency of push-towing under actual operating conditions, with a view to providing economical transport by waterway to and from Assam. At the same time, the government has embarked on a scheme to revive inland waterway transport on very shallow rivers, such as the Ganga river from Patna to Allahabad and the Ghogra river above its confluence with the Ganga. Here again, all-welded steel craft and diesel engines will be used. A special organization has been set up to deal with the project. Designs have just been completed and tenders will be called for shortly.

The developments reviewed above have given rise to various new problems and pointed to adjustments that are called for. In this respect, the difficulty of obtaining trained personnel must be mentioned. However, various national training schemes are getting under way and the establishment of a regional centre for advanced training of diesel marine mechanics is now under consideration. As for the adjustments to be made, in some countries there are administrative difficulties, and delays in registration and licensing of craft and crew are hampering the fast turn-round of vessels. In other cases, import bans or delays in issuing import licences are hampering diesel engine repairs, thus causing serious economic losses through immobilization of valuable transport equipment, and checking the trend towards conversion from steam to diesel.

However, a better understanding of the importance of inland waterway transport and of the need for its efficient functioning is developing gradually. The draft convention regarding the registration and measurement of vessels employed in inland navigation, as proposed by the ECAFE Inland Waterway Sub-Committee, is just one example and the present favourable trend may be expected to continue.

Chapter 3. INTERNATIONAL TRADE AND PAYMENTS

AN APPRAISAL OF THE GENERAL PAYMENTS POSITION

Despite the general improvement in the world payments position which has taken place between 1952 and 1954, countries of the ECAFE region have not experienced a steady or sustained improvement in their balance of payments during this period. They have been subjected to widely divergent influences, both internal and exterenal, favourable and unfavourable, but the total impact appears to have been generally adverse. The foreign exchange reserves of many countries of the region deteriorated, and further quantitative and payments restrictions had to be imposed to protect them.

In June 1954 the total gold and foreign exchange assets of ECAFE countries for which data are available were some 16 per cent lower than at the end of 1951 and 11 per cent lower than at the end of 1952. The foreign exchange reserves of India, Cambodia, Laos and Viet-Nam, the Republic of Korea and the Philippines remained, however, relatively stable.[1]

The raw material exporting countries, Pakistan, Indonesia, and Ceylon were the first to suffer the decline, while in the rice exporting countries, Burma and Thailand, the deterioration set in during 1953 and was aggravated in 1954. In Japan the depletion of reserves was especially marked from 1953 and the trend continued until the middle of 1954. But since then the foreign exchange reserves have substantially improved. It is noteworthy that in all the countries (except Burma) which experienced a substantial depletion in reserves the ratio of foreign exchange assets (as of June 1954) to total annual imports (July 1953 to June 1954) was around .50 or less. This ratio in Indonesia and Japan stood at about .30, while in Cambodia, Laos and Viet-Nam it amounted to only .20.

The payments difficulties of ECAFE countries would have been much more serious but for favourable world developments. The appreciable improvement between 1952 and 1954 in the payments position and in the balance of trade between the dollar area and the rest of the world reflects the rising competitive capacity particularly of western Europe in relation to the United States, and an increase in the supplies of dollar-competing primary commodities in the non-dollar world. The relaxation of payments and trade restrictions by western Europe, especially the United Kingdom, which has taken significant steps towards "commodity" convertibility (i.e. re-opening of several commodity markets) and a higher degree of sterling transferability, is a very important development affecting several ECAFE countries Furthermore, the level of economic activity and incomes in the industrial countries, which affects the nature and level of their import

1. The Republic of Korea, Cambodia, Laos and Viet-Nam owe this maintenance of foreign exchange reserves entirely to external financial assistance; in the case of India it is attributable to the delay in utilizing sterling releases for developmental imports and to the reduction in the volume of imports, particularly foodgrains, and in the case of the Philippines to both increased export volume and United States aid.

TABLE 8

GOLD AND FOREIGN EXCHANGE ASSETS IN ECAFE COUNTRIES[a]
(End of period)

Million dollars

	1951	1952	1953	1954		Ratio of June 1954 figure to total imports from July 1953 to June 1954
				June	Sept	
Burma	166	209	225	197	159	1.02
Ceylon	262	187	136	175	184	0.56
India: Reserve Bank of India	1,888	1,729	1,765	1,809	1,782	1.58
Pakistan: State Bank of Pakistan[b]	505	295	296	299	290	0.56
Total sterling countries	*2,821*	*2,420*	*2,422*	*2,480*	*2,415*	..
Afghanistan:[c] Bank of Afghanistan	821	689	624	..	..	..
Cambodia, Laos and Viet-Nam:[d]						
Total foreign exchange	..	33	67	68	65	0.20
Indonesia	592	391	276	212	256	0.29
Japan	916	1,170	998	811	909	0.30
Korea, Republic of	46	87	116	115	..	..
Philippines	316	317	307	310	317	0.71
Thailand: Bank of Thailand	175	221	175	141	142	0.42
Total other countries[e]	*2,045*	*2,219*	*1,939*	*1,657*	..	..
Grand total[e]	4,866	4,639	4,361	4,137	2,415	..

a. Unless otherwise indicated figures include those for official authorities and commercial banks.
b. Issue Department only.
c. Figures relate to end of March.
d. Computed from piastres at the official rate of Pr 20.6=$1 for 1952. Pr 35=$1 for 1953 and 1954.
e. Excludes Afghanistan.

demand from primary exporting countries, has basically not been unfavourable since 1952 to the trade and payments of the ECAFE countries, since no major recession in the industrial countries has occurred. Finally, the flow of external financial assistance to the ECAFE region is continuing. All these developments are basically favourable to an expansion of trade and improvement in the payments position of the ECAFE region.

Nevertheless, the ECAFE countries have continued to face balance of payments difficulties arising from two distinct sets of circumstances. Firstly, the serious reduction of export earnings after the collapse of the 1950/51 commodity boom. Secondly, the ECAFE countries have been maintaining levels of imports substantially higher than before the boom, and inexcess of their export earnings. Consequently, they have had to draw upon their exchange reserves for financing imports, in addition to utilizing external aid.

The commercial and exchange policies of ECAFE countries have, therefore, aimed in the past two years at export promotion on the one hand and at selective import control on the other. Considerable difficulties are being encountered, however, in the execution of these policies. If imports are restricted with a view to improving the balance of payments, increased import demand generated by development expenditure might lead to inflation. Furthermore, it is not always possible for administrative and political reasons to bring internal inflationary forces under control, which are the source of pressure on payments. On the other hand, export promotion is not easy when there is a buyers' market for many commodities. The levels of exports and imports and the problems and policies relating thereto are discussed in the succeeding sections.

Level of export earnings

The export earnings of fourteen ECAFE countries were running at an annual rate of $6,600 million in 1954 as compared with $5,200 million in the half year before the outbreak of the Korean war; they were, however, about one-third less than in the boom year from July 1950 to June 1951, and slightly lower than in 1953. These figures suggest that the export earnings are reaching some degree of stability at a level somewhat higher than before the boom, but substantially lower than the peak.

If Japan and mainland China are excluded, exports of the ECAFE countries[1] are typically represented by rubber and rubber manufactures (29.7 per cent of the total in 1951), jute and jute manufactures (14.4 per cent), vegetable oils and oilseeds (7.3 per cent), tea (6.5 per cent), cotton and manufactures (5.5 per cent), rice (5.4 per cent) and tin (4.1 per cent).

In terms of quantum, exports of these goods have been maintained at fairly stable levels in 1953 and 1954, with the exception of tea, raw jute and raw cotton. In the case of tea, however, the increase in prices more than offset the decline in volume. Japan, whose exports accounted for 22 per cent of the total value of exports of ECAFE countries in 1954 (first six months), also increased its volume of exports and attained the highest post-war level in 1954. Except for rubber, the volume of exports of major commodities by ECAFE countries during 1953 and 1954 compares on the whole favourably with that for 1950.

1. Including British Borneo, Burma, Cambodia, Laos and Viet-Nam, Ceylon, India, Indonesia, Malaya, Pakistan, the Philippines and Thailand.

TABLE 9

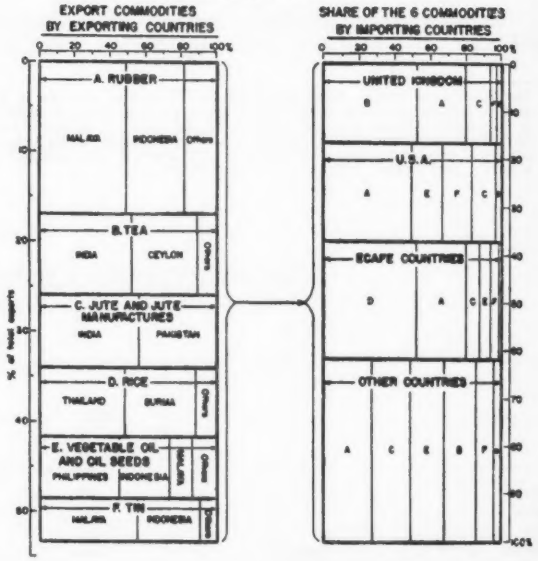
VOLUME OF MAJOR EXPORTS FROM ECAFE COUNTRIES[a]

	1950	1953	1954[b]
Rubber	1,752	1,584	1,589
Tin-in-concentrates	43	45	43
Tin metal	83	63	73
Jute, raw	612	980	848
Jute manufactures	648	724	804
Oil and oilseeds[c]	1,154	1,049	1,110
Cotton, raw	239	329	184
Cotton piecegoods[d] (million m²)	1,951	1,364	1,806
Tea	361	432	394
Rice	2,801	2,650	2,926
Sugar	1,050	1,663	1,730

a. Data represent total exports of major producing countries which for individual commodities are as follows: *rubber:* British Borneo, Burma, Cambodia, Laos, Viet-Nam, Ceylon, Indonesia, Malaya (net export) and Thailand; *tin-in-concentrates:* Burma, Indonesia, and Thailand; *tin metal:* Malaya; *jute, raw:* Pakistan; *jute manufactures:* India; *oilseeds and oils:* Ceylon, Hong Kong, India, Indonesia, Malaya, North Borneo and the Philippines; *cotton, raw:* India and Pakistan; *cotton piecegoods:* India and Japan; *tea:* Ceylon, India, Indonesia, Japan and Pakistan; *rice:* Burma, Cambodia, Laos, Viet-Nam, China (Taiwan only) and Thailand; *sugar:* China (Taiwan only), Indonesia and the Philippines.
b. Annual rate based on January-September figures.
c. Oil equivalent.
d. Length figures for India converted on basis of 1 yard width.

Chart 9

DISTRIBUTION OF MAJOR EXPORT COMMODITIES BY ORIGIN AND DESTINATION – ECAFE REGION



The terms of trade of countries of the region moved diveregently in 1954, depending chiefly on the movements of export price;[2] the import prices showed no significant changes. The terms of trade of raw material exporting countries, which had been distinctly worse than in 1951, deteriorated further in Malaya and the Philippines, but improved in Ceylon and Pakistan during the first nine months of 1954 as compared with the corresponding period of 1953. The deterioration in Malaya's terms of trade since 1952 is attributable largely

2. Export prices of rubber, cotton and jute were, however, showing an upward tendency since the middle of 1954. See *supra*, chapter 1 on "Agricultural production."

to the fall in export prices, though there has been recently a considerable improvement following the rise in rubber prices. Philippines' terms of trade which improved substantially in 1953 became appreciably worse in 1954 owing to a fall in export prices. In Indonesia, the export unit value continued to decline in 1953 and 1954. Ceylon's terms of trade improved in 1953 owing to a fall in import and a rise in export unit value; higher tea prices brought about a further improvement in 1954. In Pakistan the sharp decline in export prices was only slightly reversed since the last quarter of 1953.

In the rice exporting countries, the terms of trade in 1954 was substantially deteriorated owing to a decline in world rice prices. In Cambodia, Laos and Viet-Nam, in addition to the fall in rice prices, the devaluation of the piastres in 1953 had also contributed to the worsening in the terms of trade.

The terms of trade of India which were in 1953 slightly worse than in 1952 showed some improvement in 1954. Japan's terms of trade have since 1951 shown a steady improvement, due initially to a sharp rise in export prices and later to the decline in raw material import prices. From about the second quarter of 1954, however, Japan's terms of trade have tended to deteriorate slightly.

Even though the general level of incomes and import demand may be maintained at relatively high levels in the industrial countries, the effective demand for individual export commodities will be affected by special factors, both long-term and short-term: rubber by strategic factors and the synthetic substitute, tin by strategic factors and technical progress in tin utilization, rice by increased self-sufficiency in ECAFE countries and the availability of surpluses and substitute grains from abroad, raw cotton by alternative sources of supply, and jute by the development of substitute materials.

Some of the factors have an adverse effect on exports in the short run, for example, the rice surplus in the region, and the disposal of certain agricultural surpluses by the United States.[1] The United States Government has embarked upon a programme of disposal of agricultural surpluses (including rice, wheat, cotton, and dairy products) to the value of $1,000 million in three years and has already entered into an agreement to sell approximately $100 million worth of these goods to Japan against payment in local currency.[2]

If the present level of export earnings (including present levels of volume and prices) is indicative of the future, it gives a clear warning as to the level of imports and development expenditure which the region can finance from its own resources. Present levels of export volume and prices may not be unfavourable when compared with the pre-Korean-war period, but from the standpoint of economic growth they are not by any means adequate.

Level of imports

While the export earnings of ECAFE countries appear to be stabilized at a level definitely higher than in pre-Korean-war years, the aggregate level of imports, after some reduction in the post-Korean-war boom period, is being maintained at an even higher level, relatively to pre-Korean-war years, than exports. Thus, a substantial part of these imports had to be financed out of exchange reserves. The total value of imports of twelve ECAFE countries was about 60 per cent larger in 1951 and 1952 than in 1950, and though reduced subsequently, was still more ethan 40 per cent above the 1950 level both in 1953 and in the first half of 1954. Whereas in 1950 the ratio of exports to imports was 1.1, it declined to .80 in 1953 and .78 in the first half of 1954.[3]

TABLE 10

VALUE OF IMPORTS AND EXPORTS OF THE ECAFE REGION[a]

(Quarterly Averages)

Million dollars

	Including Japan		Excluding Japan	
	Imports	Exports	Imports	Exports
1950	1,370	1,513	1,127	1,308
1951	2,223	2,251	1,724	1,912
1952	2,175	1,742	1,668	1,424
1953	1,967	1,562	1,365	1,244
1954				
Jan—Mar	1,986	1,542	1,262	1,199
Apr—Jun	1,996	1,564	1,308	1,197
Jul—Sep	1,819	1,681	1,321	1,264

a. Burma, Cambodia, Laos, Viet-Nam, Ceylon, China (Taiwan only), Hong Kong, India, Indonesia, Japan, Malaya, Pakistan and the Philippines.

Analysis of the import data by countries shows that most countries increased their imports sharply in 1951 and 1952 and reduced them in some measure in 1953 and 1954. India's imports, however, were reduced by more than $600 million between 1951 and 1953 mainly owing to the improvement in the domestic production of foodgrains and cotton; Pakistan's imports were curtailed by nearly $200 million between 1952 and 1953 by stricter import control, and Malayan imports fell by $500 million between 1951 and 1953 with the decline in export incomes. By contrast, Japan's imports increased by 100 per cent between 1950 and 1951 and by another 50 per cent between 1951 and 1953, and were at an even higher level in the first half of 1954.

The increase in the value of imports between 1950 and 1953-54 represented a very substantial increase in volume also, since only a small part was accounted for by the increase in import prices.

Several causes have contributed to the higher level of imports. The increase in incomes and foreign exchange reserves in 1950-51 led to more liberal import policies in part as anti-inflationary measures and those relaxations continued well into 1953. Also, some governments accelerated their developmental expenditures and this led not only to a direct increase in foreign exchange expenditure on imports, but also to an indirect demand for imports arising from expanded domestic incomes. In other words, the existence of domestic inflationary situations, involving expansion of bank credit and money incomes and in many cases budget deficits, has been a major factor in some countries in contributing to the pressure on balance of payments. The cases of Ceylon, Japan, and Indonesia are especially to be noted in this respect.

1. The Prime Minister of Burma suggested recently that the United States could help Burma dispose of its rice surplus by buying it and distributing it as part of the US surplus disposal programme. The US Government's surplus programme is, however, limited to US products.
2. Including wheat $22.5 million, cotton $35 million, rice $15 million, barley $3.5 million, and tobacco $5 million. See *New York Times*, 14 November 1954
3. Japan is a big factor in the maintenance of the regional import level. But even excluding Japan, the general picture remains largely unchanged: whereas in 1950 the ratio of exports to imports was 1.16, it declined to .91 in 1953 and .93 in the first half of 1954.

Faced with declining foreign exchange reserves, however, many countries of the region have intensified their import controls in late 1953 and 1954[1] or, as is the case of Japan and Ceylon, have attempted to pursue a policy of tightening credit or of balanced budgets aimed in part at restraining domestic consumption. The reduced consumption and investment would then cause a reduction in import demand.

External aid

It has been a common feature of the international balance of payments for countries of the region in the post-war period that a substantial portion of the deficits on account of goods and services has been covered by external aid. In 1953, for example, the net deficits on current account of seven ECAFE countries[2] for which statistics are available on a uniform basis were covered by official external donations to the extent of 67 per cent. Although more recently intra-regional transfers such as India's aid to Nepal and Japan's reparations to Burma have come to play a part in the economic development of the receiving countries, intra-regional aid has been insignificant compared with aid from the more economically advanced countries in the west or from international organizations. The total external aid (exclusive of military aid) amounted to $6,785 million and $2,407 million during the periods 1945-1949 and 1950-1952 respectively.[3] Though comparable statistics are not available for more recent years, there are indications that there was a slight decrease in the total amount of aid in 1953 compared with the average of the preceding three years.[4] In 1954, however, the external aid appears to have increased somewhat.

The various forms and types of external aid by contributing countries and organizations are as follows:

United States of America

(*a*) The technical co-operation assistance, through FOA (Foreign Operations Administration) and the Point Four programme, made available in three years from July 1951 to June 1954 amounted to $468 million,[5] excluding assistance to Japan, the Republic of Korea and the Republic of China. The Republic of Korea received or was allotted grants of about $550 million out of which $200 million[6] was an FAO allocation, and the Republic of China about $238 million of FOA economic aid. Thus, the total amounted to $1,256 million for the three years, being the largest contribution by a single country to this region. It is reported that in the 1954/55 programme of FOA some 60 per cent of the total amount will be distributed to this region, of which about a half will take the form of economic aid.[7] It is further reported that a United States-Korean aid agreement has been signed in November 1954, providing for $700 million aid ($250 million for economic and $450 million for military) to the Republic of Korea during 1955/56,[8] and that a decision was taken to aid the State of Viet-Nam to the extent of about $300 million ($100 million for economic and $200 million for military).[9] The United States foreign assistance policy is currently under review, especially with a view to stepping up the pace of economic development of the region.

(*b*) Food assistance and surplus agricultural commodities disposal. Wheat loans were contracted by India ($190 million) in 1951 and Pakistan ($15 million) in 1952, and a grant of wheat (610,000 long tons) was given to Pakistan in 1953. In May 1954, a wheat agreement under the United States Mutual Security Act was concluded between the United States and Japan, providing for the sale of wheat amounting to $50 million against local currency, 20 per cent of the proceeds to be given as a grant. Further in October 1954, under the provision of the (United States) Agricultural Surpluses Act[10] an agreement was signed between the two countries, according to which Japan is to import $100 million worth of surplus agricultural commodities from the United States. A part (15 per cent) of the imports constitutes a grant in kind, while the remainder (85 per cent) is to be sold for yen; 70 per cent of the yen proceeds will be made available to Japan as a long-term loan and the remainder is to be spent by the United States. Pakistan is also receiving aid currently under the Agricultural Surpluses Act to the amount of $35 million.

(c) Long-term loans have been authorized by the United States Export-Import Bank to Afghanistan, Indonesia, the Philippines and Thailand, amounting to $165.5 million up to June 1954.[11] Short-term cotton credits have been authorized to Japan to be used as revolving funds.

United Kingdom[12]

(*a*) The Commonwealth Development Finance Corporation made a subscription of £1 million toward the equity capital of the Sui Gas project in Pakistan in 1954.

(*b*) A special loan, amounting to £10 million, was authorized to Pakistan in 1953 for agricultural development.

(*c*) During 1953/54 grants by the Colonial Development and Welfare Fund and loans by the Colonial Development Corporation to Malaya, Singapore, Sarawak and North Borneo have been authorized, totalling £12.5 million. In addition under agreements with India, Pakistan and Ceylon, sterling balances are being released annually to the extent of approximately £42 million (£35 million to India, £4 million to Pakistan and £3 million to Ceylon).

Colombo Plan

The total amount agreed upon for grants (including technical assistance) under the Colombo Plan, to be provided by Australia, Canada and New Zealand up to the first half of 1954, was $185.3 million,[13] of which $146.97 million have been allocated. So far a larger part of the aid has been given to Ceylon, India and Pakistan; but several countries

1. See *infra*, section on "Import and payments restriction", pp. 30-32.
2. Burma, Ceylon, India, Indonesia, Pakistan, the Philippines and Thailand.
3. A *Study of Trade between Asia and Europe* (United Nations publication, Sales No. 1953.II.F.3), p.8 table 7.
4. The decrease was probably due to the following factors: (a) the cessation of GARIOA (Government Aid for Relief in Occupied Areas) to Japan; (b) the ending in June 1953 of ECA aid to Burma; (c) the decrease in sterling balance releases and Netherlands' aid to Indonesia. The Wheat Loan to India by the United States in 1951 was also a factor which raised the total for 1951-52. Countrywise, aid to countries affected by war such as Cambodia, Laos and Viet-Nam and the Republic of Korea, and also aid to the Philippines and China: Taiwan showed an increase, whereas aid to India, Indonesia, Burma, Ceylon and Malaya registered a decrease or remained unchanged. There was a sizeable increase in aid to cover Pakistan's balance of payments deficit. In Japan, there was no direct aid, but receipts from special procurements amounted to $809 million in 1953.
5. Consultative Committee for Co-operative Economic Development in South and Southeast Asia, *Third Annual Report*. The amounts obligated were $144 million, $161 million and $163 million in 1951/52, 1952/53 and 1953/54 respectively; and $21 million to Burma, $73 million to Cambodia, Laos and Viet-Nam, $185 million to India, $24 million to Indonesia, $1.6 million to Nepal, $75 million to Pakistan, $65 million to the Philippines $25 million to Thailand and $0.6 million for ocean freight cost (India and Pakistan).
6. The receipts up to June 1954 amounted to $33 million.
7. The *New York Times*, 28 November 1954.
8. *US. Department of State Bulletin*, 29 November 1954.
9. The *New York Times*, 28 November 1954.
10. Officially known as the Agricultural Trade Development and Assistance Act of 1954.
11. The break-down by countries is as follows: $100 million to Indonesia, $25 million to the Philippines, $39.5 million to Afghanistan, and $1 million to Thailand. The total amount so far disbursed (excluding Afghanistan) is $64 million.
12. The United Kingdom fiscal year April-March.
13. Australia £A 31.23 million or $69.9 million, Canada $107 million (including $5 million grant of wheat to Pakistan), New Zealand $3.0 million or $3.4 million.

have recently joined the Plan, and the scope of aid is being extended to Indonesia, Nepal, Burma, Cambodia, Laos and Viet-Nam.

International organizations

(*a*) Loans authorized to countries in the region by the International Bank for Reconstruction and Development up to October 1954 amounted to $229.6 million[1] or 11.6 per cent of the total amount authorized by the Bank, and the amount disbursed to countries in the region totalled $103.6 million or 7 per cent of the total disbursements.

(*b*) The outstanding amount of exchange transactions (not currency purchases) with the International Monetary Fund of countries in the region as of September 1954 was $130.7 million. (India $53.3 million, Indonesia $15 million and Japan $62.4 million).

(*c*) The United Nations Korean Reconstruction Agency (UNKRA) was established in 1950 for the purpose of facilitating the economic rehabilitation of the Republic of Korea. Funds pledged up to June 1954 amounted to $209 million, of which actual funds made available to the Agent General totalled $103.7 million.[2]

Other aid

(*a*) A grant for fishery development amounting to $1.4 million (10 million Norwegian kronor) was authorized by the Norwegian Government to India.

(*b*) According to a recent agreement, the USSR will give assistance to India in the erection of a steel plant with an initial capacity of one million ingot tons or 750,000 tons of rolled products.

(*c*) A $5 million loan for a cement project in Afghanistan was authorized by Czechoslovakia in 1954.

(*d*) Under an industrial development agreement signed between Indonesia and France in June 1954, a seven-year loan amounting to $34.3 million (12,000 million francs) for the purchase of capital goods was granted to Indonesia. The Export Finance Company of The Hague gave a $6.6 million (25 million guilder) credit to Indonesia for the purchase of capital goods.[3] Under the provisions of the Indonesian-Japanese trade and payments arrangement of 1952, Japan agreed to treat a part ($60 million) of its payment surplus with Indonesia as a long-term loan to the latter.

(*e*) Credits (imports on credit basis) granted by the USSR to mainland China were $300 million in 1950 and $130 million (520 million rubles) in 1954.[4] The repayment on the former began in 1954 with an annual instalment of $30 million. It may be noted that aid to mainland China has been rather small compared with the total annual investment of the country which was officially stated to be 118,000,000 million People's Bank Yuan or about $5,300 million in 1953.

(*f*) It is reported that aid to Korea (North) amounting to $250 million (1,000 million rubles) and $340 million (8,000,000 million People's Bank Yuan) was authorized by the USSR and mainland China respectively for a four-year period beginning in 1954.

Special receipts

Foreign exchange receipts from special procurement by the United Nations forces and the United States forces, and also from personal spending by members of the armed forces have been contributing significantly to the improvement of the balance of payments in Japan and the Republic of Korea. Receipts of a similar nature are important also in the Philippines, Cambodia, Laos and Viet-Nam. Receipts from special procurement in Japan totalled $2,869 million in a little over four years up to September 1954, or about 20-30 per cent of the total foreign exchange receipts (50-60 per cent of total dollar receipts). In the Philippines, receipts from the United States Government expenditures, such as military expenditures and Veterans Administration expenditures, amounted to $116 million in 1952 and $132 million in 1953. Accurate statistics are not available with regard to special foreiegn exchange earnings in the Republic of Korea and in Cambodia, Laos and Viet-Nam. However, it is reported that in the latter three states invisible receipts from French military and other expenditures amounted to $900 million in 1951 and $1,100 million in 1952.[5]

Balance of trade by currency areas

The region as a whole (excluding Japan) shows an improvement in trade balance with the dollar area.[6] The years 1950-1951, under the stimulus of the Korean-war boom, were marked by a substantial merchandise surplus with the dollar area, whereas the years 1952-1953 resulted in a deficit. In the first half of 1954, however, the ECAFE region again had a surplus with the dollar area. Including Japan, the region's dollar trade deficit in 1952/53 was substantially larger and a deficit continued to accumulate at a very high rate even in 1954.

Malaya, Ceylon and Indonesia have the largest surpluses in dollar trade. Malaya alone contributed as much as $1,000 million to the dollar trade surplus of the region during the four years 1950-1953, Ceylon $160 million, and Indonesia $180 million. The combined surplus in dollar trade of these three countries was running at an annual rate of $200 million in the first half of 1954.

The deficit countries in dollar trade, apart from Japan, are Hong Kong, the Republic of China and the Philippines. Hong Kong normally has a deficit by virtue of its entrepot trade, while the dollar deficit of the Philippines is virtually identical with the country's normal mechandise deficit in view of its predominant trade relations with the United States.

In the regional picture (excluding Japan), the improvement in the dollar balance of the last few years has been achieved by the sharp reduction in imports rather than by any increase in exports. Thus whereas the annual rate of exports from the region to the dollar area in the first half of 1954 was 21 per cent below the 1952 level, the corresponding rate of reduction in imports was as much as 44 per cent (see table 11). In this regard the trend of India's dollar

1. Break-down by countries: $19.1 million to Ceylon, $100.5 million to India, $40.2 million to Japan, $44.4 million to Pakistan, $25.4 million to Thailand. Of the total amount loans amounting to £10 million or $28 million were to be disbursed and repayable in sterling.
2. UNKRA, *Report to the Ninth Regular Session of the General Assembly.*
3. It is reported that credits amounting to Rp 400 million, Rp 300 million and Rp 300 million have been authorized by France, West Germany and the Netherlands respectively, totalling Rp 1,000 million (*The Asahi*, Tokyo, 14 December 1954).
4. The dollar figures in this and next paragraph are based on official exchange rates.
5. International Monetary Fund, *Payment problems of Cambodia, Laos and Viet-Nam*, paper submitted to the Working Group of Exports on Payments Problems of the ECAFE Region which met in Bangkok in July 1954.
6. The position of Japan is somewhat special among the countries of the region. Japan obtains a high proportion, something like 50 per cent, of its imports from the dollar area and its exports to the dollar area are far smaller, thereby leaving a very large deficit. In the sharp increase in Japan's imports between 1950 and 1954, imports from the dollar area maintained their relative importance. A high proportion of imports from the dollar area and large exports to the non-dollar area have been the structural characteristics of Japan's post-war foreign trade.

trade is especially to be noted. India's dollar imports had been very large in 1951 and 1952, averaging $700 million per year because of large requirements of foodgrains and raw cotton; in 1953 they were reduced to $230 million, and in 1954 were running at an annual rate of less than $200 million.

It is difficult to assess to what extent these changes represent a permanent improvement in the dollar trade balance of the region in view of the fact that all the non-dollar countries in the region have continued to maintain discriminatory restrictions on imports from the dollar area.

The recent improvement in the dollar trade of the region (excluding Japan) is offset by the increasing deficit in relations with continental OEEC[1] countries. Imports from these countries, which accounted for 13 per cent of the total imports of the region in 1950, have been steadily rising and were close to 20 per cent in the first half of 1954. The proportions of both dollar and sterling imports in the total declined meanwhile following the shift of demand to other areas including continental OEEC countries.

The adverse swing in the trade balance of the region (excluding Japan) between 1950 and 1954 (first six months at annual rate) amounted to just over $1,000 million of which the trade with continental OEEC countries accounted for about one half, that with the dollar area almost one-third, and the remainder was shared about equally by the sterling area and "others."[2]

TRADE AND PAYMENTS CONTROLS

Import and payments restrictions

Most countries in the region maintain quantitative import and payments restrictions primarily for balance for payments reasons. Several of them found it necessary during 1954 to continue and intensify the restrictions they had imposed in earlier years. The Republic of China, Indonesia, Japan, Pakistan and Thailand came in this category. Some countries did not intensify their quantitative import restrictions even through their foreign exchange position deteriorated (Ceylon's exchange position deteriorated till the end of 1953 and Burma's from the middle of 1953 though both these countries restricted only remittance payments mainly to India). India and the Philippines adopted slightly more liberal import policies during 1954. On the whole, however, most countries have found it necessary to retain the framework of import controls for use in the event of a worsening in their payments position.

Quantitative import controls are, however, employed in a few countries for other than balance of payments reasons. India has recognized import controls, including tariff protection, as an integral part of the machinery of economic development planning and has employed them selectively according priority to imports of capital goods and essential raw materials for development purposes, for securing foodgrains, for reducing the imports of luxuries and non-essentials, and for regulating the volume of imports competing with domestic industries. India may, therefore, be expected to retain such controls even if not confronted with balance of payments difficulties. Pakistan has also resorted to import controls and tariff policy to foster industrial development.

Even when primarily used for balance of payments reasons, quantitative controls have a protective effect on industries. Data which would permit the evaluation of the effect of such protection are not available. However, it is known that in the Philippines, after import controls became operative, several industries grew under the stimulus provided by the limitation of imports.

Despite the maintenance and intensification of import-exchange controls by many countries, some progress was also made during the past year or so in the direction of multilateral payments through the elimination of some discriminatory payments features. In January 1954, Indonesia abolished the system of dollar export certificates which had been intro-

1. Organization for European Economic Co-operation.

2. In order to assess how enduring these changes might be, this analysis of the regional balance of trade by currency areas has to be further supplemented by an analysis of commodity-wise structural changes in the trade of the region. However, sufficiently detailed statistics permitting up-to-date analysis in this regard are not yet available. The discussion of the balance of payments is based on information supplied by the Reserve Bank of India; discrepancies between the figures quoted and those published in special table G in the section on Asian Economic Statistics at the end of this volume are due to differences in grouping and nomenclature.

TABLE 11

VALUE OF EXPORTS AND IMPORTS BY CURRENCY AREA IN ECAFE COUNTRIES[a]

(quarterly average or quarters)

(*million dollars*)

	EXPORTS TO					IMPORTS FROM					BALANCES				
	Dollar area	Sterling area	Continental OEEC countries	Others	Total	Dollar area	Sterling area	Continental OEEC countries	Others	Total	Dollar area	Sterling area	Continental OEEC countries	Others	Total
1950	309.0	492.8	210.0	296.2	1,308.0	206.9	446.5	150.7	323.1	1,127.2	+102.1	+ 46.3	+ 59.3	— 26.9	+180.8
1951	361.6	786.4	327.0	437.5	1,912.5	311.3	602.9	283.7	526.4	1,724.3	+ 50.3	+183.5	+ 43.3	— 88.9	+188.2
1952	285.3	530.2	218.3	390.6	1,424.4	347.6	563.0	293.0	464.1	1,667.7	— 62.3	— 32.8	— 74.7	— 73.5	—243.3
1953	246.7	457.1	193.5	346.2	1,243.5	218.5	479.2	259.9	407.5	1,364.7	+ 28.2	— 22.1	— 66.0	— 61.3	—121.2
1954															
Jan–Mar	221.7	432.3	201.7	343.5	1,199.2	184.5	432.2	247.0	398.7	1,262.4	+ 37.2	+ 0.1	— 45.3	— 55.2	— 63.2
Apr–Jun	231.3	457.4	176.3	331.9	1,196.9	215.1	444.0	246.4	402.0	1,307.5	+ 16.2	+ 13.4	— 70.1	— 70.1	—110.6

Source: Statistical Office of the United Nations; *Direction of International Trade;* Chinese Maritime Customs; Insitut d'émission des états du Cambodge, du Laos et du Viêt-Nam, *Statistiques économiques et financières;* Central Statistical and Economics Department of Burma, *Quarterly Bulletin of Statistics of Burma;* Central Statistical Office of Pakistan, *Statistical Bulletin of Pakistan.*

a. Burma, Cambodia, Laos, Viet-Nam, Ceylon, China (Taiwan only), Hong Kong, India, Indonesia, Malaya, Pakistan and the Philippines.

duced in 1952 with the object of promoting dollar exports and curtailing dollar imports. Late in 1953, Burma abolished all discrimination and introduced a uniform tariff system. In the Republic of China, the import-exchange system was simplified.

The sterling area countries of the ECAFE region were favourably affected by the measures taken by the United Kingdom in the course of 1952-1954 with a view to relaxing international trade and payments restrictions and to achieving a wider degree of convertibility of sterling. These steps include the gradual relaxation of import restrictions, the restoration of many commodities to private trade, the gradual reopening of metal and other commodity markets in the United Kingdom, the extension of the transferable account area to include practically all the non-sterling countries outside the US dollar account area and Canada, the extension to corporations and individuals of facilities to hold transferable sterling, and the reopening of the London gold market. The extension of the sterling transferable accounts system in March 1954 has widened the multilateral transferability of sterling and the exchange controls in ECAFE sterling area countries have been modified in line with this change.

Generally speaking, any serious decline in the central reserves of the sterling area has been accompanied by an intensification of restrictions by sterling area countries as a whole. Similarly, the growth of reserves has resulted in a tendency to relax those restrictions. But the manner, direction and degree of relaxation of restrictions has been determined by each sterling area country in the light of its own balance of payments position. Therefore, even though the position of sterling as an international currency and the over-all payments position of the sterling area have improved during the last two years, a sterling country facing payments difficulties will still find it necessary to intensify restrictions, e.g. Pakistan. However, the larger degree of sterling transferability has enabled the ECAFE sterling area countries to eliminate to a large extent discrimination as between non-dollar sources, though they continue to exercise discrimination against dollar payments in line with the policy of the sterling area as a whole.

Among the non-sterling countries of the region import and payments restrictions continue to be governed loss by a specific lack of convertible currency than by an over-all shortage of foreign exchange. In some cases, convertible currency resources have been used to meet deficits in inconvertible currencies. Indonesia did this on a large scale in 1951-53, and Japan in 1953. Thailand has not discriminated against dollar imports as such, while Cambodia, Laos and Viet-Nam have restricted all imports except those from the franc area.

The significant developments in import and payments restrictions in ECAFE countries are indicated in the following paragraphs.

Burma continued to license freely imports from non-dollar sources, despite a decline in foreign exchange reserves. Dollar restrictions, however, continued to be strict. Payments for invisibles, particularly remittances, were subjected to further control during the year.

In *Cambodia, Laos and Viet-Nam*, the volume of imports has declined considerably since the devaluation of the piastre in May 1953. Import and exchange controls have continued to be strictly applied to payments to non-franc territories.

In *Ceylon*, there were no significant changes in import controls in 1953 and 1954, except that licensing of imports from Japan, West Germany, and several eastern European countries was directed towards the Ceylonization of trade. Dollar imports continued under strict licensing, except for some semi-manufactured metal products placed on open general licence since October 1953. Restrictions on remittances to the sterling area for maintenance and travel, which were tightened in 1953, continued in 1954.

The Republic of *China* depends largely on external assistance and remittances from its nationals overseas to finance its recurring payments deficits. It has relied upon licensing and quantitative controls to restrain non-essential imports and to give priority to machinery and raw material impoprts. A system of multiple exchange rates for imports and exports has been in force which was simplified in September 1953, when the 100 per cent deposit requirement for imports was dispensed with and a 20 per cent defence tax was levied on most private imports.

Within the framework of its import control and tariff protection policies, *India* has adopted more liberal import controls in 1953 and 1954. For the first half of 1953, import quotas on over 100 items which had been reduced in the second half of 1952, were restored. For the second half of 1953, import quotas for certain items including imports from hard-currency countries were increased. In September 1953, imports of rice from soft-currency countries were permitted on private account. The import policy for the first half of 1954 made provision for increased import of consumer goods and also of goods for which the import duty had been increased at the beginning of the year. The system of token imports, established mainly to set a standard for production of certain items, was continued. In September 1954 again, import restrictions on a number of items from hard- and soft-currency areas were relaxed.

To arrest the serious decline in exchange assets, *Indonesia* intensified import and payments restrictions in 1954. Exchange allocations for imports were drastically cut; advance payment required for certain imports was raised from 50 to 75 per cent for capital goods and raw materials for industry, and to 100 per cent for other items. Imports from Singapore and Hong Kong were severely limited, and a system known as "Hong Kong barter" was introduced in September 1953, by which an Indonesian exporter became automatically entitled to import goods from Hong Kong up to the value of his exports. This system was suspended in February-April 1954 and later resumed only on a very limited basis. A 66 2/3 per cent exchange tax on invisible remittances abroad was levied effective March 1954. New regulations were also laid down for transfers of profits and savings abroad with a view to reducing foreign exchange expenditure.

Japan has imposed further import and payments restrictions in 1954 on account of its adverse payments position. The foreign exchange budget of Japan for the first half of 1954/55 provides for payments for imports and services of $1,420 million as against $1,641 million in the corresponding period of 1953/54. Merchandise imports are fixed at $1,100 million as against $1,246 million in the corresponding period of 1953/54, a reduction of 12 per cent. The merchandise import budget for the second half of 1954/55 has been fixed at $1,090 million, as contrasted to $1,546 million in the corresponding period of 1953/54. Less essential import items have been subjected to severe cuts, although the items of

imports which are mandatory under trade agreements (such as woollen goods under the Anglo-Japanese agreements and bananas from Taiwan, China have been permitted. Among other measures taken to tighten imports are an increase in the cash margin by importers in opening letters of credit, and abolition or curtailment of the preferential import financing and foreign exchange lending adopted by the Bank of Japan since 1952.

Since the deterioration in the payments position in 1952, intensive import controls have been operative in *Pakistan*. These restrictions were maintained during 1954. Priority is given to imports of capital goods and raw materials needed for industry, while imports of consumer goods have been kept at a minimum. This resulted in a decline in the value of commercial imports (i.e. on private account) of Pakistan from Rs 1,696 million in 1952 to Rs 758 million in 1953 and to an annual rate of Rs 739 million in the first half of 1954. Within the framework of control, increased imports of certain consumer goods have been permitted from time to time in order to ease domestic shortages.

In the *Philippines* there was no intensification of payments and trade restrictions during 1954.

On account of the continued deterioration in the payments position, quantitative import restrictions were tightened in *Thailand* during 1954. Until November 1953, Thailand has made only limited use of quantitative import controls, but relied on multiple exchange rates for regulating commercial imports, the bulk of which were financed from the free exchange market. In November 1953 import controls on a wide range of goods were imposed. During 1953 the number of commodities eligible for obtaining foreign exchange at preferential rate was progressively reduced and the supply of foreign exchange by the Bank of Thailand to the commercial banks was also curtailed. In 1954 a new category of semi-essential goods was announced, and imports were limited on the basis of imports during the preceding five years. In September 1953 import duties had been increased on certain goods classified as non-essential, including automobiles, refrigerators, liquors, etc. Towards the end of November 1954 the import of some 94 items was completely banned, and in the middle of December, remittances abroad were further tightened.

Export promotion measures

Difficulties encountered by some ECAFE countries in selling their products abroad in a buyer's market with increased competition have necessitated special export promotion measures on their part. These measures fall into five principal types: (*a*) removal or reduction of export duties, (*b*) relaxation or removal of controls on exports, including liberalization of quotas, (*c*) retention quotas, by which exporters are entitled to the free disposal of a specified proportion of their export proceeds for imports or other use, (*d*) bilateral agreements and government-to-government contracts, (*e*) subsidies and government assistance of various kinds.

Duties had been levied on exports for fiscal and anti-inflationary purposes during the boom in 1950/51, and their downward adjustment which began late in 1951 after the collapse of the boom continued in 1953 and 1954.[1] The second type of action was also important in 1952 and 1953 and was carried further in 1954. However, many governments realized that relaxation of controls alone could not promote exports sufficiently and had to take more positive measures to that end. Of particular interest in this context is the introduction of the retention quota arrangement in Indonesia, Pakistan, and Thailand, in addition to Japan where it was already operative in the form of the link system.[2]

The use of bilateral agreements and government-to-government contracts for promoting exports has been particularly significant in Burma and Thailand for rice, in Pakistan for raw cotton and jute and in Ceylon for rubber. Pakistan successfully employed this method (as well as barter deals) for disposing of accumulated stocks of cotton and jute in 1953 and for selling current surpluses in 1953; Ceylon, since 1953 for sale of current production of rubber; and Burma, in 1954 for the sale not only of accumulated stocks, but current surplus of rice also. Bilateral trade agreements are, however, regarded only as temporary expedients.[3]

Direct subsidies for export promotion have rarely been employed by any ECAFE country, the main reason being the prohibitive fiscal burden if major exports were to be subsidized. The most important example is provided by the price support scheme for rew jute and cotton introduced by the Pakistan Government in 1951 and 1952: this entailed losses by the government and was given up, and other measures referred to above were taken to dispose of surpluses. However, indirect government assistance has been employed by many countries, notably Japan, in the form, for example, of facilitating export finance and insurance or of giving tax relief to trading firms in favour of capital accumulation.

Export liberatlization measures taken by *India* during 1953 and 1954 include an increase in export quotas and extension of the licensing period for several items, such as raw cotton, cotton waste, cotton textiles, black pepper, oils and oil-seeds, iron and maganese ores, raw coffee and tea (some of the quotas were increased in October 1954), and abolition or reduction of export duties on jute and cotton manufactures, specified oils and oil-seeds, specified iron and steel manufactures, and manganese ore.

To promote exports, *Indonesia* introduced a retention quota practice in October 1953, by which inducement certificates were issued to exporters of certain local products enabling them to import, and obtain exchange in payment of, certain luxury and semi-luxury goods.

From the standpoint of export promotion, raw material imports tied to exports have been granted priority in *Japan*. The retention quota system had also been in practice for some time; but in late 1953 a further promotional measure was introduced in the form of a compensation link system, according to which exporters of ships, for example, were compensated for their below-cost prices by import licences for especially profitable goods, such as crude sugar.

In *Pakistan*, a large number of items have been placed on Open General Licence, the enlarged list containing as many as 137 items at the end of June 1954. A special export incentive scheme was introduced effective from June 1954 to

1. However, export duties on tea were raised in Ceylon and India in 1954 in the face of higher export prices of tea.

2. The ECAFE Sub-Committee on Trade which met in Hong Kong in early January 1955 expressed the view that some of these arrangements involved some degree of discrimination and artificial diversion of trade from economic channels, and recommended that in such cases countries resorting to them should endeavour to eliminate them as early as possible. See *Report of the Sub-Committee on Trade*, paragraph 36.

3. See *ibid*, paragraph 33.

March 1955, under which exporters of a few specified commodities are entitled to obtain import licences for specified goods up to 30 per cent of their earnings from such exports. The specified export goods included 20 primary and 116 manufactured goods, many of them not being of major importance in Pakistan's export trade. The object of this measure is to stimulate the export of the less important commodities.

In July 1954 *Thailand* lifted the ban on the export of some 9 commodities, including timber (other than teak), coconut products, fire wood and meat. Several measures were taken to stimulate rice export, including reduction in price and reorganization of governmental machinery of rice trade. Exporters of rice to the Philippines are permitted to retain their foreign exchange proceeds for their own use or sell them in the open market: this introduces a retention quota practice. The Government announced its decision, effective 1 January 1955, to restore rice export trade to private channels.

BILATERAL TRADE AND PAYMENTS ARRANGEMENTS[1]

There has been no significant change since 1953 in bilateral trade and payment arrangements of countries in the region, except in those concluded with mainland China, the USSR and eastern European countries. The proportion of total trade in the region settled through bilateral payment arrangements is rather small. This is accounted for by the fact that several countries (India, Pakistan, Ceylon, Burma, Malaya and Hong Kong) belong to the sterling area, or that some countries like Indonesia and Cambodia, Laos and Viet-Nam are related to the European Payments Union (EPU) through the Netherlands and France respectively, thus enjoying the facilities of a multilateral payment system to a certain extent. Japan is an exception. It has six[2] open account arrangements with countries in the region and eight with those outside,[3] and its trade with the open-account area has been steadily increasing in recent years as a share of exports from 23 per cent in 1952 to 38 per cent in 1954 (first nine months) and of imports from 13 per cent to 23 per cent.

A bilateral trade and payments agreement was signed between China: Taiwan and France in 1954.[4] Important payments arrangements concluded recently are rupee settlements between Ceylon and mainland China, India and Egypt (May 1953), India and Czechoslovakia (November 1953), India and Yugoslavia (November 1953), India and the Soviet Union (December 1953), India and Rumania (March 1954), India and mainland China (October 1954), and an open-account arrangement between Indonesia and Yugoslavia (June 1953).

In contrast with the small number of bilateral payments arrangements in the region, there are many bilateral trade agreements both intra- and inter-regional. However, most of these trade agreements do not provide for bilateral balancing of trade, except those concluded in connexion with bilateral payments arrangements. In the immediate post-war period, many bilateral trade agreements were concluded with a view to procuring scarce goods or to overcoming exchange difficulties. But more recently, the emphasis seems to have shifted towards diversification of export markets as exemplified by bilateral trade agreements between Indonesia and EPU countries other than the Netherlands and those of Pakistan with Japan, France and West Germany. As bilateral balancing of trade has come to be less important, the more recent agreements are characterized by such features as mutual concession on issuing of import licences, most-favoured-nation treatment, soft-currency-origin treatment, or simply a listing of exportable items from each side.

Recent progress in the liberalization of trade and the trend towards the recovery of convertibility of currencies in western Europe are factors likely to reduce the importance of bilateralism in the near future. In Japan, however, there still exists a possibility of enlarging trade volume, at least in the short run, by the method of bilateral trade with some countries, e.g. Argentine, Brazil and Thailand. This is mainly because of exchange difficulties on both sides. However, with some countries such as the Republic of Korea and Indonesia, Japan is faced with a deadlock in bilateralism owing to one-sided exchange difficulties which cannot be mutually offset. Further, there are signs that Japan may be revising its policy towards bilateral trade agreements as can be seen in its agreements with West Germany and Italy where the liberalization of certain import items as well as a triangular trade plan is proposed.

Several bilateral trade agreements have been concluded recently between governments in some countries or areas of the region (Indonesia, India, Burma and Ceylon) and mainland China, the USSR and eastern European countries. In some agreements bilateral payments are also arranged. So far there has been no sizeable increase in trade between Indonesia and mainland China, as exports from Indonesia of rubber and oil are not going smoothly. As to mainland China's trade with Burma and India, it is too early to assess the results of the agreements. However, a substantial increase has been achieved in Ceylon's trade with mainland China since the conclusion of the agreement.

1. For detailed discussion, see *Report of the Working Group of Experts on Payments Problems of the ECAFE Region* (31 August 1954, E/CN.11/I&T/112).
2. Including an arrangement with the French Union which is applicable to Cambodia, Laos and Viet-Nam.
3. All arrangement except that with Egypt were originally concluded before 1952. The Japan-Egypt agreement was signed in November 1953 for the purpose of improving the continuing deficit balance of trade of Japan with Egypt (due to imports of raw cotton from Egypt). This agreement is rather exceptional because only a part of the total trade is to be settled through the open-account arrangement.
4. The agreement provides for a total value of trade at $10 million each way.

Chapter 4. MONETARY AND FISCAL DEVELOPMENTS

MONETARY DEVELOPMENTS

Comparatively, monetary stability prevailed in more countries of the region in 1954 than in any other post-war year. In most of the raw material exporting countries, the process of adjustments in the economy to the decline in export earnings resulting from the end of the Korean war boom appeared generally to have been completed by the end of 1953. The level of income and/or trade and the export prices of several major export commodities were more or less stabilized at lower levels than in the boom years. In 1954, India and the raw material exporting countries benefited generally from an improvement in the food situation which contributed to the price stability and an increase in real income.

Government finance was another major factor to influence the monetary situation. Among the raw material exporting countries, Ceylon and the Philippines witnessed a trend toward monetary contraction through government financial operations, while a comparatively large budget defiecit appeared in Indonesia since 1952 and in Pakistan since 1952/53.

The general improvement in the food situation has brought about a decline in export earnings of the rice-exporting countries. The world market price of rice fell substantially in 1953 and 1954 and tended to affect unfavourably the domestic income of the rice-exporting countries. In Cambodia, Laos and Viet-Nam internal prices of rice fell more than export prices, but in Thailand, they fell less and in Burma much less. However, in both Burma and Thailand, the government deficit offset largely this deflationary effect.

The cease-fire has eased the economic situation in the Republic of Korea and the three States of Cambodia, Laos and Viet-Nam. This, coupled with the possible decline in farm income and with larger foreign aid, contributed to the levelling off of inflation in these countries. In the Republic of Korea, however, the aftermath of war and the continuing large defence expenditure have accounted mainly for the sustained inflationary trend. In China: Taiwan although defence empenditure is still large, price levels have shown remarkable stability since 1953 mainly on account of increased production and tax revenue and continued foreign aid.

Governments continued their efforts to mobilize private savings through encouraging the establishment of special financial institutions. There were signs of increase in personal savings, which in some countries were, however, not fully mobilized for investment. Governments continued to float larger amounts of bonds and treasury bills to finance their expenditures. However, net subscriptions to government bonds by non-central bank sources financed less than 10 per cent of government development expenditures in most countries.

In any country, the monetary situation is determined by a large number of factors, although major forces may be distinguished from minor ones. According to the types of major forces involved, the monetary situation in countries of the region may be conveniently grouped for the purpose of analysis as follows:

(*a*) In the Republic of Korea, the three States of Cambodia, Laos, Viet-Nam, and China: Taiwan large government defence expenditures constituted the major factor in inflating money incomes for the last few years.

(*b*) In Burma and Thailand, where foreign trade is generally more important than public finance in influencing money incomes and where changes in rice prices and exports during 1953-54 were significant, deflationary effects from export decline were apparent. To this group may also be added Hong Kong where the deflationary influence came from the decline in entrepot trade but was, to some extent, compensated by an increase in exports of domestic manufactured products. While the decline of Hong Kong's entrepot trade with the region's rice and raw material exporting countries resulted chiefly from the abatement of the Korean-war boom, the decline of Hong Kong's entrepot trade with mainland China appears to be structural and is likely to be enduring.

(*c*) In Ceylon, Malaya, the Philippines and India, monetary stability prevailed in 1954, the forces of inflation and deflation being in some balance. Japan experienced an investment inflation[1] before the end of 1953, when a policy of monetary restriction was adopted. The inflationary trend was, however, halted in early 1954, which resulted in a state of monetary stability through the year.

(*d*) In Afghanistan, Indonesia and Pakistan, it seemed that there had been some monetary expansion, with varying degrees. In Afghanistan and Pakistan it was due chiefly to high investment in connection with economic development. In Indonesia, it was due partly to the decrease in government revenue. In mainland China, statistical data for indentifying specific causes for the monetary situation are scanty. However, judging from the large government investment programmes and the price and distribution control on consumer goods it seems that there has been a form of inflation generated primarily from investment. This inflation, however, was put under control as there were no signs of marked rise in prices.

1. Private capital formation increased from Y1,187,000 million in 1952 to Y1,362,000 million in 1953 and public capital formation increased from Y471,000 million to Y622,000 million during the same period. (See table 12).

TABLE 12

GROSS NATIONAL EXPENDITURE, ITS COMPONENTS AND EFFECTS ON PRICE CHANGES IN SELECTED ECAFE COUNTRIES[a]

Year	Private sector		Government sector		Surplus of the nation on current account	Gross national expenditure at market prices (Total of 1 to 5)	Gross national product at previous year's market prices	Difference between (6) and (7)	(8) as % of gross national product (8) ÷ (7)
	Consumption	Gross capital formation	Consumption	Gross capital formation					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Burma (million K)									
1948	2,893	496	280	106	−224	3,551	3,476	75	2
1949	2,399	211	307	49	255	3,221	3,199	22	1
1950	2,328	291	321	28	156	3,124	3,051	73	2
1951	2,668	299	318	177	220	3,682	3,541	141	4
1952	2,724	469	395	274	217	4,079	3,894	185	5
1953	2,850	420	512	450	290	4,522	4,439	83	2
1954	3,150	460	590	450	20	4,670	4,736	− 66	− 1
1955[b]	3,360	510	640	790	− 5	5,295			
Ceylon (million Rs)									
1948	2,272	105	352	70	− 31	2,768	2,685	83	3
1949	2,459	153	394	123	− 81	3,048	3,079	− 31	− 1
1950	3,118	222	387	213	102	4,042	3,811	231	6
1951	3,614	332	411	224	89	4,670	4,499	171	4
1952	3,773	302	472	307	−367	4,487	4,529	− 42	− 1
1953	3,740	245	535	314	−241	4,593	4,509	84	2
India[c] (1,000 million Rs)									
1948	84.9		6.4	1.8	− 2.4	90.6	..	..	..
1949	87.6		5.4	2.2	− 0.5	94.6	92.7	1.9	2
1950	92.0		5.6	2.2	0.6	100.3	95.1	5.2	5
1951	99.2		5.8	4.5	− 1.7	105.8	104.5	1.3	1
Japan ('000 million Y.)									
1948	1,741	494	282	258	−109	2,666	1,535	1,131	74
1949	2,261	532	394	299	−110	3,375	2,798	577	21
1950	2,443	799	435	189	105	3,971	3,825	146	4
1951	3,128	1,258	521	424	209	5,541	4,567	974	21
1952	3,763	1,187	682	471	80	6,182	6,123	59	1
1953	4,415	1,362	767	622	− 12	7,156	6,795	361	5
Philippines (million P.)									
1948	5,423	631	402	110	−197	6,369	6,751	−382	− 6
1949	5,802	468	448	195	−574	6,339	6,744	−405	− 6
1950	5,763	381	473	211	47	6,875	7,102	−227	− 3
1951	6,713	398	536	158	−103	7,702	7,226	476	7
1952	6,858	424	593	162	−112	7,925	8,266	−341	− 4
1953	7,123	534	606	163	− 70	8,356	8,932	−576	− 6

Note: Based on national income statistics. The years given differ among countries: for Burma year ending 30 September of the year stated; for India and Japan year beginning 1 April of the year stated; and for other countries, calendar years.

a. Gross national expenditure is equal to gross national product when both are valued at the same price, but gross national expenditure at current price may exceed or fall short of gross national product at the previous year's price. In Burma, India and Japan, these two series were estimated independently of each other. The differences between these two series therefore indicate inflationary or deflationary gaps. The ratio between gross national expenditure at current price and gross national product at previous year's price is also a good index of prices. However, in Ceylon and the Philippines, where national product at constant price was not independently estimated, the figures for national product at previous year's price were derived by deflating them at current year price by the cost of living index for illustrative purposes only.

b. projected.

c. Capital formation, national product and national expenditure are on net basis. Consumption and capital formation of private sector is a residual.

Countries attaining monetary stability

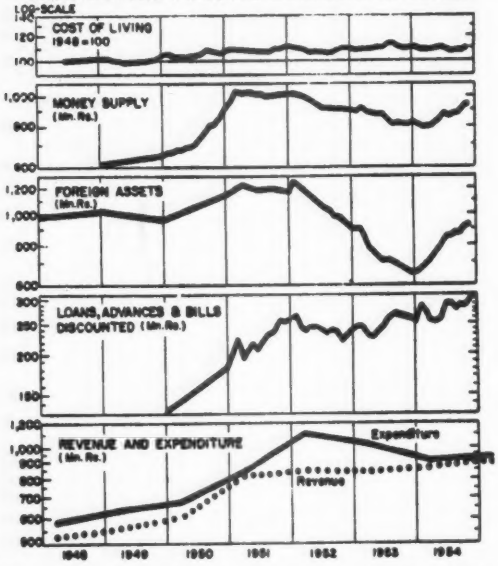
During 1953 and 1954, the monetary situation in India and several raw material exporting countries of the region, such as Ceylon, Malaya and the Philippines, appeared to be more or less stable. In India while the money supply increased by about 5 per cent, the estimated real national income increased more than 6 per cent in 1953/54.[1] In the Philippines the gross national product increased (5.4 per cent) more than money supply (1.5 per cent) in 1953, and in Ceylon gross national product increased slightly (2 per cent) while money supply decreased appreciably (7 to 8 per cent) in 1953. During the first eight to ten months of 1954, money supply showed no significant changes in India and the Philippines, but increased sizably in Ceylon. The index of wholesale prices fell slightly in India in 1953/54 and in the Philippines in 1953-54. Owing to the improved food situation, the cost-of-living index fell in Ceylon, India and the Philippines during 1953 and 1954. In Malaya, money supply declined by as much as 8 per cent in 1953 and remained stable during the first half of 1954; the cost-of-living index also showed a general trend of slight decline during the same period. In Japan both the money supply (seasonally adjusted) and the price level started falling slightly in early 1954, while industrial production continued to increase.

1. The *per capita* real national income of India in 1953/54 is estimated at about 5 to 6 per cent higher than in 1952/53. Allowing the increase in population, told real national income would be more than 6 per cent higher. See *infra*, chapter 12 on India.

Among the raw material exporting countries of the region, *Ceylon* resorted more to deflationary fiscal policies than to import restriction for alleviating the balance of payments difficulties arising from the abatement of the export boom. In 1953, food subsidies were abolished and income tax rates raised. The budget deficit of Rs 253 million in 1951/52 and Rs 172 million in 1952/53 was reduced to Rs 34 million in 1953/54 and 1954/55. The bank rate was raised in July 1953. The possible fall in the prevailing and expected rate of profits tended also to discourage private investment. Gross private capital formation declined from the peak of Rp 332 million in 1951 to Rp 245 million in 1953.

Chart 10

MONETARY AND FINANCIAL INDICATORS IN CEYLON



Meanwhile, the high level of import, the balance of payments deficit and the fall in foreign assets were allowed to absorb inflation. The annual surplus of the current international account, Rs 102 million in 1950 and Rs 89 million in 1951, turned into a deficit of Rs 367 million in 1952 and Rs 241 million in 1953. The gross national product in 1952 and 1953 was 2 per cent lower than in 1951 (see Table 12). The lower level of income tended to reduce consumption and the demand for imports which decreased substantially in 1953. The adjustment seemed to have been completed toward the end of 1953, and a temporary balance of payments equilibrium was achieved at a lower level of trade.

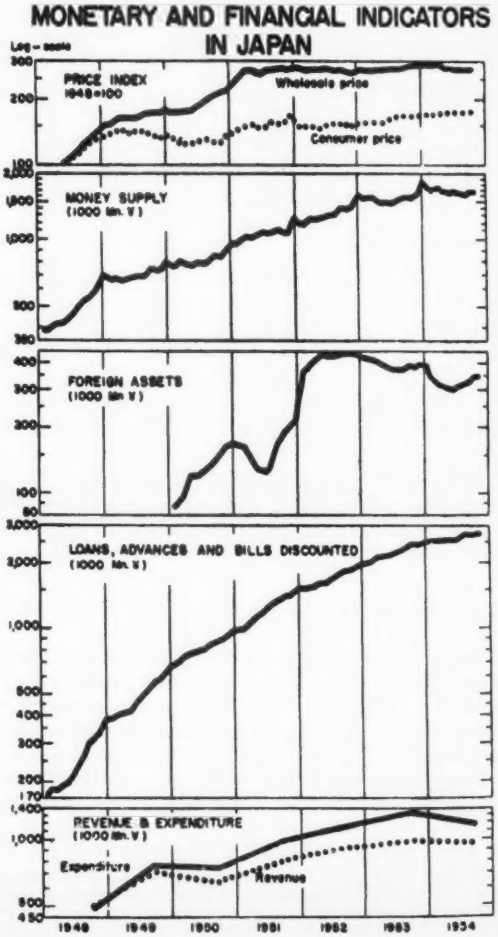
Owing chiefly to the increase in the foreign demand for and prices of tea, export earnings and foreign assets started to rise substantially at the beginning of 1954. The government continued to follow a careful budgetary policy of balancing revenue and expenditure. Almost 90 per cent of investment, loans and advances in the budget of 1954/55 is to be financed by a surplus in current account, as compared with 50 per cent in 1948/49. The government is reluctant to encroach on the private sector, leaving private savings to finance private investment.

The domestic financial operation of the government and the private sector produced some contractive monetary effects during the first nine months of 1954, which were, however, less than the expansionary effect generated from the balance of payments surplus and resulted in a net increase in money supply. The increase in money supply between October 1953 and October 1954 was equivalent to 2 per cent of the gross national product in 1953.

Malaya, as a member of the sterling area and with an automatic sterling exchange system, does not have an independent policy to correct its balance of payments changes. Like Ceylon, Malaya did not resort to any significant tightening of import control after the abatement of the export boom, but unlike Ceylon, it did not adopt deflationary fiscal policies. While government revenue declined since 1952, mainly because of the fall in the world prices of rubber and tin, government expenditure was allowed to expand owing to the continued state of emergency. Large deficits occurred in 1953 and 1954. The inflationary pressure generated from the public sector, however, was largely offset by the deficit on current external accounts. Money supply fell appreciably in 1953 but remained stable during the first half of 1954. Wage rates have been rather flexible, especially in the rubber industry where money wages are related to the price of rubber and have therefore followed more or less the fluctuations of rubber prices. The existence of such flexibility in money wage rates has helped, to some extent, the country's major export industry to adjust its cost-price structure. With the recent recovery in world prices of rubber and tin, the trade deficit has tended to diminish and the budget deficit to become smaller.

Chart 11

MONETARY AND FINANCIAL INDICATORS IN JAPAN



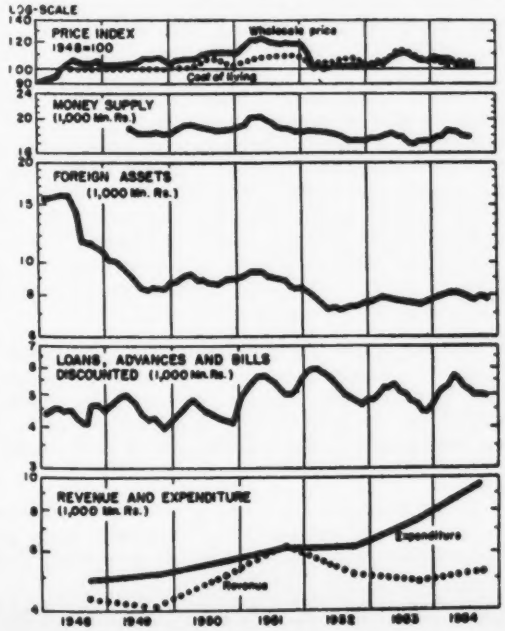
Japan also adopted in late 1953 a deflationary policy for preventing the rapid decline in foreign exchange holdings, which resulted mainly from increased imports. Unlike Ceylon, which relied chiefly on deflationary fiscal policy, Japan's deflationary measures were primarily monetary. It may be noted that as organized private industrial sector and credit system is more developed in Japan than in Ceylon, the monetary policy appears to have been more effective in Japan. The Bank of Japan's effective rates of interest were raised successively and the preferential arrangements for financing imports were curtailed since late 1953. Meanwhile, bank loans were also restricted.

As a result of the restrictive monetary policy, the Bank of Japan note issue showed a decrease in 1954 for the first time in post-war years. The Bank of Japan's outstanding loans and discounts were also substantially reduced. Loans granted by all banks during the first ten months of 1954 were much less than that during the same period of 1953. Also, both the wholesale-price index and the unit-value index of exports fell by about 6 per cent between February and September 1954. Industries which appeared to be affected most sharply by credit tightening were iron and steel and cotton textiles. Prices of semi-finished steel products and cotton yarn fell by as much as 20 to 30 per cent within a year. With lowered prices, these two industries were able to maintain and even expand their markets abroad. Total value of exports in 1954 increased by 28 per cent over 1953, while the import level remained almost unchanged. However, the expansion of exports can be attributed largely to the price cut due to changed market conditions and to successful trade negotiations.

In *India*, the rather high rate of growth in real income was explained partly by good weather and record food crops and partly by the normal rate of increase in industrial production. The increase in money supply in 1953/54 was in accordance with the growing requirements of a developing economy, reinforced by the substantial restoration of free trading in foodgrains. The money supply during the second quarter of 1954 was slightly reduced.

Chart 12

MONETARY AND FINANCIAL INDICATORS IN INDIA



In the Indian economy, in aggregate quantitative terms, public finance appeared to be more important than foreign trade. During 1948-50, while government expenditures on goods and services accounted for 8 to 9 per cent of the national income the ratio of total exports to national income was only 5 to 6 per cent. Since then the scale of government operations has expanded by nearly 50 per cent and the public sector now claims close to 10 per cent of the national income. The cash deficits of both central and State governments increased from Rs 850 million in 1952/53 to Rs 1,540 million in 1953/54 and Rs 2,930 million in 1954/55. The deficit was largely incurred for financing the Five-Year Plan, although government developmental expenditures for the first three years of the Plan (1951/52 to 1953/54) were not up to expectations. Private investment in the organized private sector fell also short of the target during the same period. The improved trade balance resulted in a slight increase in the country's foreign assets in the spring of 1954. However, the monetary expansion effect thus released was not significant.

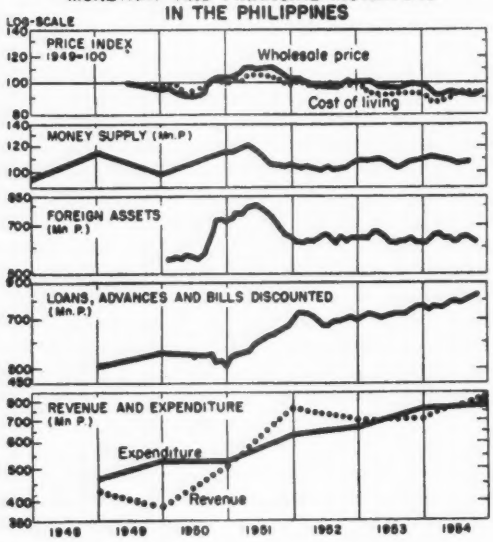
The index of wholesale prices fluctuated in 1953 and in the first eight months of 1954 at a level slightly higher than the pre-Korean-war level. Group indices, however, moved divergently. Taking the pre-Korean war level as the base, the index of manufactured goods in August 1953 exceeded the combined index of food and raw materials by 7 points and in August 1954 by 21 points. The rise in the prices of manufactured goods relatively to raw materials and food has tended to raise the industrial profit margin and may stimulate a further increase in investment. The index of consumer prices fell by about 8 per cent on account chiefly of the decline in food prices.[1]

In the *Philippines*, both the external account and the government account are carefully budgeted. While the monetary impact of the balance of payments surplus in 1953 and 1954 was negligible, that of the government's financial operation was slightly deflationary. Bank credit extended to the private sector showed however slight expansion. Production increased, due partly to favourable weather in agriculture and partly to protection to local industry provided by import and exchange controls. The expansion in gross national product in 1953 was contributed almost entirely by the private sector; government consumption and gross capital formation remained stable. The 17 per cent exchange tax was extended until 30 June 1955. In view of its importance both to government finance and for balancing of external accounts, the tax cannot be removed without a compensatory change in the tariff system. The slower expansion in money supply than in gross national product resulted in a deflationary gap, roughly estimated at approximately 4 and 6 per cent respectively of the gross national product in 1952 and 1953 (see Table 12). The slightly deflationary tendency seemed to have extended into 1954

1. The cost of living index of the all-India working class, with 1948 as the base, fell from 113 in August 1953 to 104 in August 1954 and the group index of food items fell from 119 to 106 during the same period.

Chart 13

MONETARY AND FINANCIAL INDICATORS IN THE PHILIPPINES



In the Philippines, as well as in Ceylon, India and Malaya, there seems to exist excess savings in the private sector under the prevailing monetary situation, owing probably more to the comparatively low level of private investment than to the possible increase in private savings. Private investment in Ceylon and Malaya appeared to be largely connected with export industries. The comparative dullness in the export markets of these two countries for the last two or three years, in spite of the recent rise in prices of tea, rubber and tin, seemed to provide insufficient inducement for and confidence in increasing investment. There is room for investment to diversify the economy in these countries. But the government of Ceylon intends to promote economic development within the limits of financial stability and leave the private sector to take care of itself; neither has Malaya, at present, any deliberate policy of diversification.

In India, the government succeeded in mobilizing and tapping private savings to finance part of its developmental expenditures. During 1953 and 1954 government securities received encouraging support in the capital market. In addition to new loans, securities amounting to Rs 220 million held by central and State governments in their investment reserves were absorbed by the public. The combined "3½ per cent National Plan Loan 1964", floated by both central and State governments in 1954, had by the closing date on 15 September yielded Rs 1,505 million. In the first three years of the plan small savings contributed Rs 1,145 million towards financing governmental development expenditure out of total available domestic financial resources of Rs 5,716 million. For the benefit of the small investor a new series of ten-year savings certificate, with a simple interest of 4½ per cent *per annum* free of income tax if held to maturity, was introduced.

It is more likely that the lack of initiative among private investors for risky ventures is preventing the fuller utilization of domestic savings in many of the under-developed countries in the region. It may be noted that in Ceylon, India, Malaya and the Philippines time and savings deposits have been on the increase, and that both in Ceylon[1] and in the Philippines the central bank has reduced the bank rate and the required ratio of commercial banks' cash reserves to their liabilities. Although these measures have tended to reactivate short-term credits, promotion of long-term investment appears to require stronger guidance and assistance on the part of the State.

Rice-exporting countries

With the change of the world rice market from a sellers' to a buyers' market, the rice-exporting countries of the region began late in 1952 to experience a decline in export earnings and face all the problems in its train, as the raw material exporting countries had a year and half earlier. The unit value of export of Burmese rice had fallen from an average of K 831 per ton in the first quarter of 1953 to an average of K 597 per ton in the third quarter of 1954, or by 28 per cent. The decline in foreign demand for and prices of rice tended, on the one hand, to reduce the government revenue from rice-trading and, on the other, to produce a deflationary effect on the economy. The intensity of these effects depends, however, on how the country reacted to the changed situation. In Burma, private exporters under the government auction system were able to adjust themselves quickly by lowering the export price, and the government also reacted speedily and succeeded in securing long-term export contracts at lower export prices. Thailand, on the other hand, reduced the government-contracted price and the premium and other concealed forms of export tax on private rice exports with some time lag. The quantity of rice exports from Burma, although reduced in 1953, more than recovered in the first nine months of 1954, while that from Thailand was further reduced.

It had been usually stated that the impact of the falling export price of rice on domestic income could be largely insulated in Thailand by the exercise of control involving the fixed government procurement price and the fixed official exchange rate applied to foreign exchange proceeds from rice exports. The proceeds from rice exports in home currency would, accordingly, not be affected by fluctuations in the world market price and in the open market rate of exchange. However, this mechanism was ineffective during the phase of declining foreign demand, as the government did not purchase rice unlimitedly at the procurement price. Moreover, the delay in the reduction of the export price of rice resulted in a smaller volume of exports and mounting stocks in the country. Consequently, the internal wholesale price of rice has fallen substantially since late 1953 (the wholesale price of 35 per cent broken rice in Bangkok fell by 30 per cent between the third quarter of 1953 and 1954). This, together with the possible increase of stocks on the farm, tended to reduce the farmers' disposable income, although paddy production increased in 1953/54. The deflationary effect thus engendered was aggravated by the decline in export income from rubber and tin, Thailand's subsidiary exports.

Under the system of internal control of the rice trade in Burma, the maintenance of the government procurement price has been generally effective. However, the smaller crop in 1953/54 and a shift in stocks from milled rice to paddy slightly reduced the money income generated by paddy production and processing.

While various economic activities relating to rice appeared to reduce the money income in both countries, large government expenditure and deficit tended to counteract this fall.

1. The Central Bank of Ceylon had raised its rate from 2.5 to 3 per cent in July 1953, and had again restored it to 2.5 per cent in June 1954.

In *Burma*, the government budget has turned from a surplus into a deficit since 1952/53. No attempt was made to reduce government expenditure even with the decline in export earnings. The expansionary effect of government development expenditure appears to have contributed significantly to the increase in output, for domestic use rather than for export, in non-agricultural sectors. In 1952/53 and 1953/54, gross capital formation in the public sector reached approximately the same magnitude as in the private sector, and was planned to exceed private capital formation in 1954/55 (see Table 12). On a cash basis, government domestic expenditure exceeded its domestic receipts by K 650 million in 1952/53, K 700 million in 1953/54 and K 925 million in 1954/55 or 14, 15 and 18 per cent respectively of the gross national product.[1] This naturally stimulated an increase of money income in the private sector.

Both the increase of private money incomes and the large government development expenditure tended to increase the demand for imports. However, imports were not further restricted, although foreign assets fell sharply since mid-1953 on account of net non-trade payments. The running down of exchange reserves tended to offset largely the inflationary effect generated by the government sector. Howevr, if this situation continues, sooner or later, foreign exchange reserves may fall to a critically low level. The surplus on current international account fell from K 290 million in 1952/53 to K 20 million in 1953/54 and is expected to turn into a small deficit in 1954/55. On balance, there appeared to be a slight deflation in 1953/54. (see Table 12).

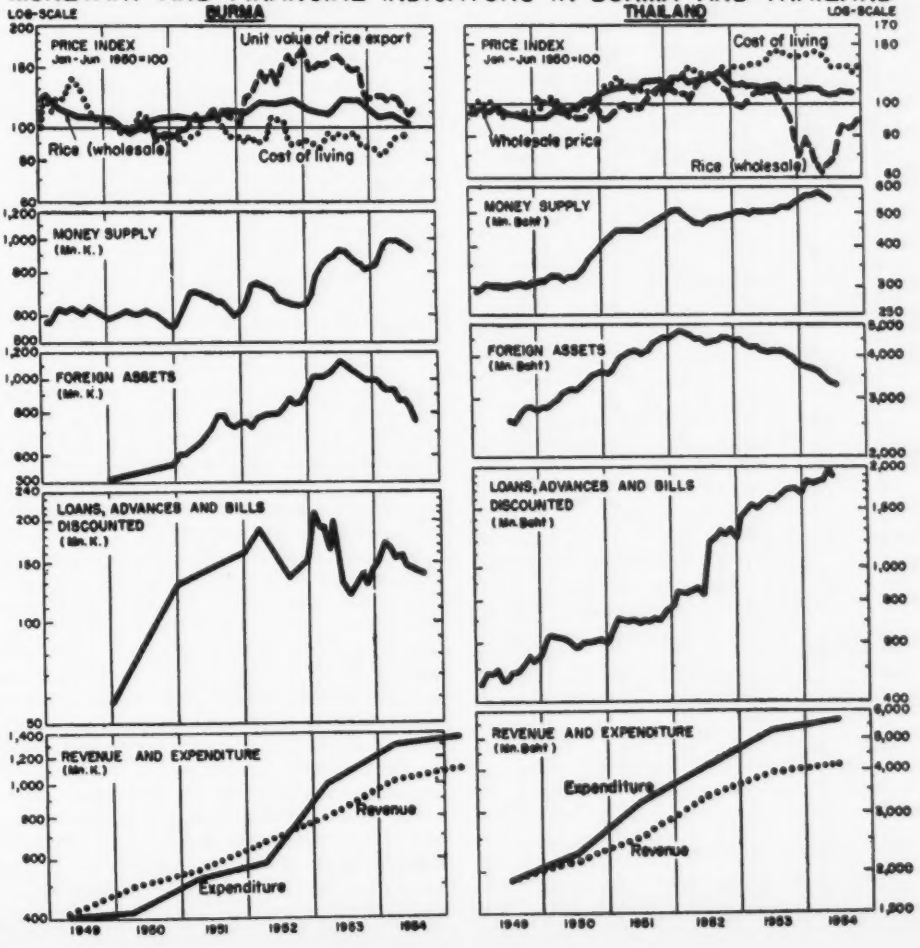
The steady decline in the cost-of-living index in Rangoon reflected, on the supply side, not only larger domestic production and increased imports of consumer goods, but also better internal distribution arising from improved security conditions.

In *Thailand*, in addition to the decline in foreign purchases of the principal export commodities, the deflationary effect was aggravated by the currency appreciation of February 1952. However, it was offset by large government expenditure and deficit. The gradual shifting away from the policy of pegging the Bank of Thailand's selling rate at the appreciated value and the increasingly wider application, since early 1953, of the fluctuating market rate also helped, to some extent, to prevent the export sector's income in home currency from falling to that of export prices in foreign currency.

1. Consolidated account of the Union Government of Burma and all Union agencies. See *The Economic Survey of Burma, 1954*.

Chart 14

MONETARY AND FINANCIAL INDICATORS IN BURMA AND THAILAND



In spite of falling export earnings, a high level of import was maintained; this resulted in a continuous depletion of foreign exchange reserves since 1952. In order to prevent such reserves[1] from falling, import control was tightened toward the end of 1953. Prices of imported commodities, with the important exception of textiles, tended to rise.

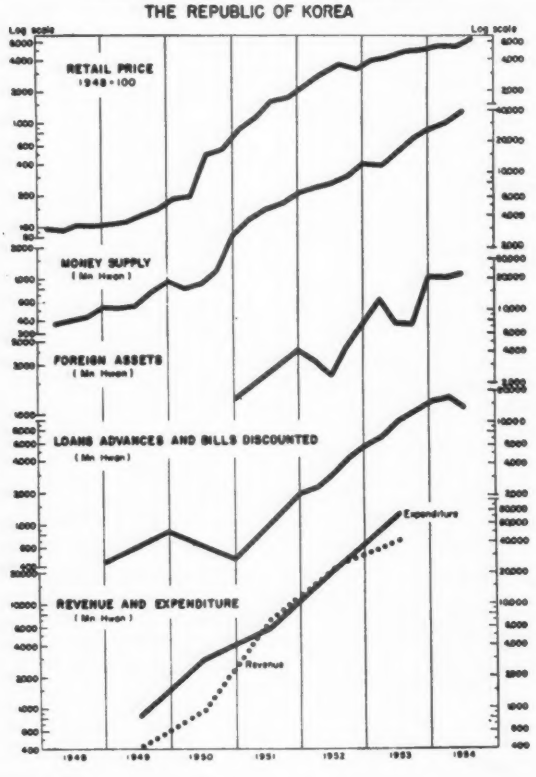
Meanwhile, in order to prevent inflation from developing, especially in view of the application of import controls and the depreciation of the market exchange value, the government tried to reduce its deficit, even at the expense of investment on economic development. Money supply showed a slight decrease in April 1954. Owing chiefly to the fall in rice prices, the cost-of-living index also fell in early 1954, although it lagged behind the fall of the wholesale-price index.

Countries affected by large defence expenditure

The Republic of Korea, China: Taiwan, and the three States of Cambodia, Laos and Viet-Nam had experienced rather severe inflation on account of heavy defence expenditures and large government deficits. The proportion of defence expenditure in the total expenditure varied from 50 per cent in Cambodia, to 55-60 in China: Taiwan, 70 in Viet-Nam and 75 in the Republic of Korea. The rate of inflation, however, levelled off in 1954 in China: Taiwan and in Cambodia, Laos and Viet-Nam, although it was still high in the Republic of Korea. While increased production and falling price of rice and larger external aid contributed substantially to the price stability in China: Taiwan as well as in Cambodia, Laos and Viet-Nam, the expansion of industrial output was also an important factor in China: Taiwan and the cease-fire in the three States.

Chart 15

MONETARY AND FINANCIAL INDICATORS IN THE REPUBLIC OF KOREA



While defence expenditure in the 1953/54 budget of the Republic of *Korea*, stood at about 150 times the 1949/50 level, civil expenditure was only 36 times—an increase roughly in line with the rise in wholesale prices during the period.[2] The armistice did not lead to a reduction of defence expenditure and government deficit. Advances by the Bank of Korea to the government amounted to H 29,900 million during the fiscal year 1953/54, as compared with H 7,600 million in the previous year. Currency drawn by the United Nations forces from the bank also increased slightly, although the real purchasing power might have even decreased on account of the rise in the price level. Meanwhile, commercial bank credit expanded along with the progress of reconstruction and the rising prices.

For combating inflation, vigorous credit control was applied after December 1953 and a new exchange policy was carried out in 1953/54, aiming at spending entirely the current foreign exchange earnings. Further, the sale of foreign aid goods on domestic markets was doubled. However, the rate of increase in money supply was still rapid, being 150 per cent in 1953/54 as compared with 90 per cent in 1952/53. Despite an increase in the import surplus, the supply of commodites seemed still to be far below the demand. While the war-destroyed productive capacity takes time to recover, investment for reconstruction has generated money income well in advance of real output. The threat of a price-cost upward "spiral" tends to retard the expansion of production. Rising costs led to increased credit and the hoarding of goods competed for credit with industrial finance. There appeared to be instances when industrial production was hampered by shortage of credit. The scarcity of goods thus accentuated the defence inflation. Group price indexes for fuel and building materials rose much higher than those for foodgrains and fertilizers, or the general wholesale price index.

In Cambodia, Laos and Viet-Nam, inflation caused chiefly by large defence expenditures was aggravated in mid-1953 by currency devaluation. However, the tempo of inflation was slowed down in 1954 on account of the reduction in military operations, a fall in rice prices and an increase in foreign aid.

In *Viet-Nam*, the total expenditure in the national and regional budgets amounted to Pr 8,000 million in 1953, of which more than 70 per cent represented military expenditure. Tax receipts at Pr 5,300 million did not balance expenditure; the deficit was partly financed by France and the United States and partly by inflationary borrowing from the *Institut d'emission* (the bank of issue). Actual defence expenditure during the first eight months of 1954 amounted to Pr 5,323 million, as compared with Pr 4,091 million in 1953.

In *Cambodia*, military expenditure in 1954, as budgeted at the beginning of the year when the cease-fire was not yet in sight, was expected to increase to more than twice the 1952 figure. The government borrowed Pr 250 million from the *Institut d'emission* in 1953, but refrained from inflationary borrowing in 1954.

1. The ratio of money supply to gold and foreign exchange reserves of the Bank of Thailand is still almost 1 if valued at the market rate of exchange.

2. Office of the Economic Co-ordinator for Korea, United Nations Command, *Draft Report for Fiscal Year 1954*, p. 25.

In *Laos*, although the military expenditure was borne by France, the budget still showed a deficit in 1953 which was financed by borrowing from the *Institut d'emission*.

Total borrowing of the States from the *Institut d'emission* amounted to Pr 900 million in 1953 and Pr 585 million during the first nine months of 1954. This was the major factor which accounted for the increase in note circulation.

The magnitude of the cost of war, however, cannot be gauged only from the military budgets of the three States. A large part of the war expenditure is incurred outside the budget and is financed mainly by France and the United States. However, the foreign exchange received might not have been entirely used, inasmuch as the use of foreign exchange was subject to quota restrictions. Further, the volume of imports fell substantially in 1953/54 after the devaluation, the largest fall occurring in the food and consumer goods groups. Thus, the inflationary impact of the military expenditures could not be counteracted very effectively.

Declining foreign demand reduced the prices of rice and rubber. Despite devaluation and abolition of the exceptional export tax and lifting of the embargo on rice, domestic prices of rice fell more than export prices. Thus farm income has tended to decline. This, coupled with larger foreign aid and smaller budget deficit after the cease-fire agreement, helped to level off inflation and price levels. However, the worsening in the terms of trade as a result of both devaluation and a fall in the world rice price has tended substantially to reduce real income.

In *China: Taiwan*, the government succeeded in reducing considerably the budget deficit in 1952 and 1953 through efforts in raising more revenue, including the imposition of the defence tax, as well as through the reduction of expenditures. However, the proportion of budget deficit to total expenditure was estimated to have increased from 1.3 per cent in 1953 to 7 per cent in the first half of 1954. Nevertheless, with larger rice production and increased industrial output (made possible by the United States aid imports of raw materials and capital goods), China: Taiwan achieved in 1954 a stabilization of prices.

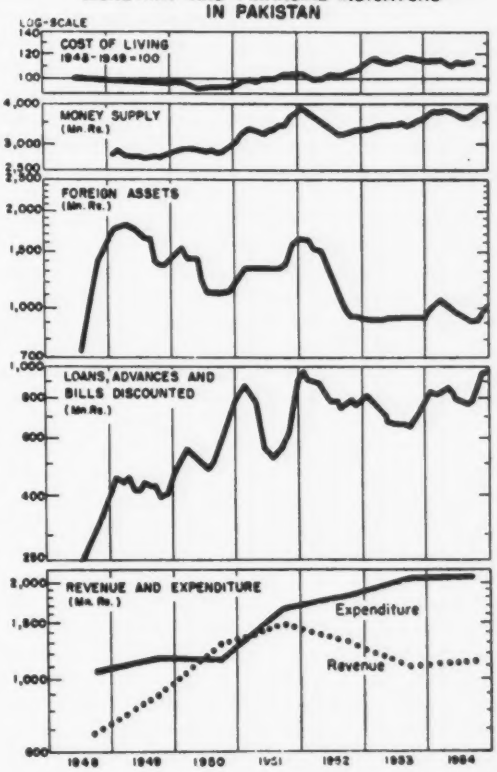
Other countries and areas

Among the raw material exporting countries, *Pakistan* relied more on strict import control than on deflationary policy for alleviating its balance of payments difficulties arising from a decline in foreign demand for its exports. Although government revenue declined as a result of smaller trade volume and the abolition of export duties on raw cotton and jute, government expenditure increased chiefly because of larger development expenditures.

The considerable reduction of imports by quantitative control had arrested the fall in foreign exchange reserves. However, the increase in effective demand and the decrease in supply of imported consumer goods tended to raise prices and resulted in instances of commodity shortage. Price control was only partially successful. In 1953/54, the increase in food production at the expense of jute and cotton, the increase in domestic manufacturing production and falling world prices of textiles have, to some extent, alleviated the strains and contributed not only to the decline in the cost-of-living index but also to a better distribution of real income. However, the additional effective demand generated by the large investment expenditure increased the demand for consumer goods.

Chart 16

MONETARY AND FINANCIAL INDICATORS IN PAKISTAN



Although a part of the increased consumer goods demand may have been matched by an increase in domestic products as a result of the development programmes which emphasized consumer goods industries, this increase, together with the limited quantity of permitted imports, seemed to be insufficient to meet the demand at unchanged prices. However, with more foreign aid, these strains may be expected to be reduced.

Successful efforts to promote domestic savings contributed to alleviating inflationary pressure generated by large investment. The total sale of savings certificates in 1953/54 was Rs 23.5 million as against Rs 19.2 million in 1952/53. The facilities available under the Postal Banks and Postal Life Insurance Schemes were extended. A scheme for compulsory Provident Fund for government employees was introduced. Competitions between administrative units for promoting savings were organized and successful promoters rewarded. Flotation of government bonds continued successfully. The small saver has become investment-minded and is buying shares, with the result that many industrial issues during 1953/54 were over-subscribed.

The monetary situation in *Afghanistan* is somewhat similar to that in Pakistan. Despite the continuous depreciation of the afghanis on the open market, the government engaged in large development programme. Total government expenditure, estimated at Afg 838 million in 1953/54, rose to the budgeted amount of Afg 1,141 million in 1954/55, and the net borrowing of the government from the central bank also rose from Afg 90 million to Afg 200 million during the same period. Both public and private investment were encouraged by a favourable

exchange rate applied to imports of capital goods, while consumer goods were imported at the market rate. Currency in circulation increased by 12 per cent between the end of 1952/53 and 1953/54. However, owing to improved food situation and availability of cheaper textile goods and also because a large part of government investment expenditure, which was spent outside the capital city, was financed by external sources, the cost-of-living index in Kabul declined slightly during 1952/53 and 1953/54.

In the economy of *Indonesia*, exports and the balance of payments are important determinants of fluctuations in the money income. During 1953 and 1954, however, while the trade balance showed a comparatively small surplus and the foreign assets holdings decreased as a result of large net non-trade payments, the large budget deficit, which rose from Rp 2,310 million in 1953 to Rp 2,540 million in 1954, led to inflationary borrowing from the central bank. Government revenue decreased from Rp 13,710 million in 1953 to Rp 10,970 million in the budget of 1954, chiefly because of a substantial decrease in the receipts from export duties and income tax. To match the reduced revenue, the government cut its expenditure on defence and other current expenditures as well as investment, but increased slightly that on economic and social services. The rate of increase in money supply was slightly slowed down in late 1952 and the first half of 1953, but rose rather rapidly between September 1953 and September 1954 (by 30 per cent). The slight expansion in credit indicated that the private sector probably contributed very little to the inflation. Food production increased, but owing chiefly to the inflated purchasing power, retail prices of food in Djakarta in September 1954 were about 8 per cent above those in September 1953.

Both foreign trade and private investment are unimportant in affecting the general monetary situation in the centrally planned economy of *mainland China*. Foreign trade, which accounted for only a small fraction of the national income, is conducted under bilateral agreements by the States with a view to achieving a balanced trade. Private investment is rapidly losing its importance and is subject to strong State control. The most dynamic and important factor affecitng the level of money income is government expenditure and revenue.

Total government expenditure in 1953 amounted to PBY 214,000,000 million, or roughly $9,100 million at the official exchange rate, representing approximately one third of the gross national product.[1] The budgeted expenditure for 1954 increased by 17 per cent above the actual expenditure in 1953. Of this total expenditure, economic development expenditure connected with the implementation of the Five-Year Plan accounted for about 40 per cent in 1953 and 45 per cent in 1954 (estimate). The large-scale investment programme has given rise to the problem of an inflationary gap between effective demand and supply of goods as the former increased at a faster rate than the latter. The situation was aggravated by the relatively small increase in food production on account of bad weather and floods. The problem of the supply of essential consumer goods appears to be especially serious because the development programme emphasizes heavy industries, transport and flood control. There seemed also to be an increase in the average propensity to consume arising from a more even income distribution.

In order to prevent prices from rising and assure the supply of essential consumer goods including foodgrains, edible oils, cotton and cotton cloth, rationing and State trading in these commodities have been introduced since late 1953. Meanwhile, measures were adopted to absorb the excess purchasing power. National construction bonds were issued and campaigns for their purchase vigorously pursued. Preferential interest rates have been offered by branches of the People's Bank to promote rural savings deposits. During 1953 and 1954, the index of wholesale prices remained remarkably stable.

The general success in rationing and price control of essential consumer goods, the increase in liquid assets held by the public and the stable price level indicated a state of suppressed inflation. As long as the situation can be maintained, the real wage of the working class may not suffer, although the level of consumption is not allowed to rise. The increase in savings among the mass of the people mainly through the strict control on consumption, in a way, has financed the rapid rate of capital formation. The strong control machinery under a centrally planned economy has been an extremely important factor.

FISCAL DEVELOPMENT[2]

Government revenues

The tax structure of most countries in the region except China (mainland)[3] has remained basically unchanged during the last five years. The temporary change in export duties and the rapid increase in prices of export products enhanced the importance of customs as a source of revenue during the Korean war boom. There have been some changes in tax rates in recent years, but no great changes have been made to the tax structure as a whole. Governments are, however, increasingly aware of the necessity of having a suitable tax structure to meet the needs of economic development. In India, the Taxation Enquiry Commission submitted its report in early 1955 and the Government of Ceylon has decided to appoint a commission to analyse its tax structure. In Burma, an expert engaged by the government has suggested certain revisions of taxes and recommended a full review of the tax structure. In order to finance economic development, it is realized that the tax structure should be so designed as to obtain larger revenue and achieve a certain amount of stability. Without stability of revenue it is most difficult for a government to plan its long-range developmental expenditures. On the other hand, it is essential for those countries whose economies are based on the system of private enterprise not to maintain a level of taxation so high as to discourage private savings and investment.

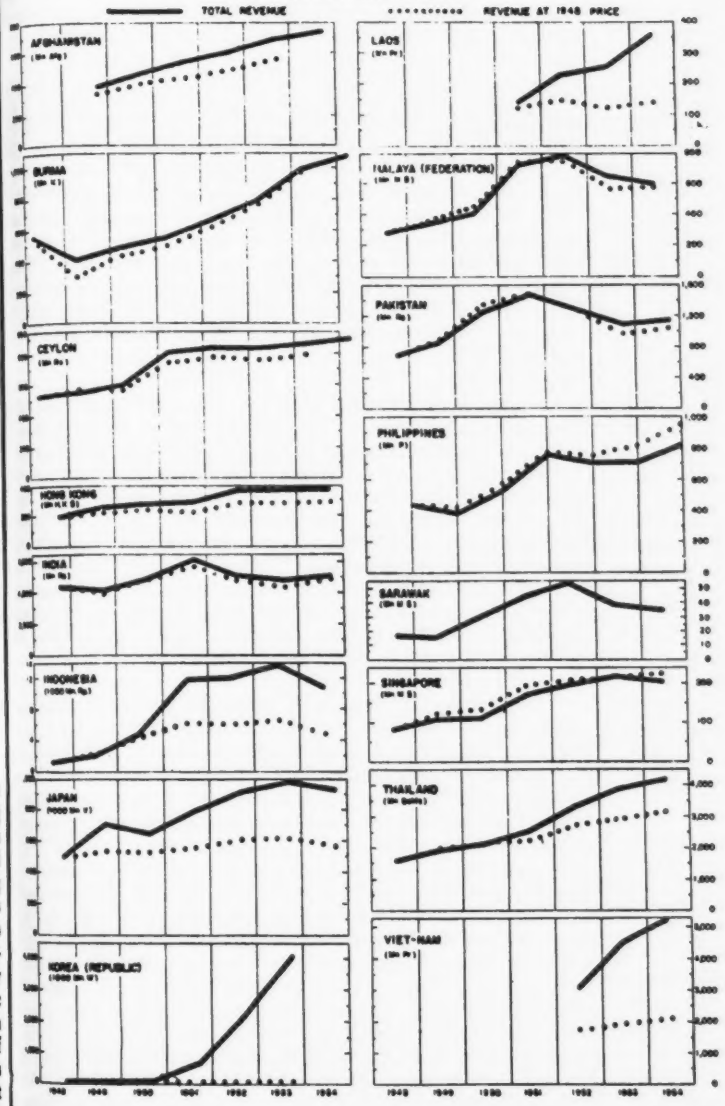
1. See, *infra*, chapter 10 on mainland China.

2. In this section, for the sake of brevity the calendar year has been used in generalizations to cover countries with differing fiscal years. For those countries with fiscal years beginning 1 April or 1 October the year which has 9 months in common with the calendar year in question has been adopted. For countries with fiscal years beginning 1 July, appropriate footnotes have been added to indicate the years referred to.

3. *Infra*, chapter on China, section II on the mainland, sub-section on "Financing of development".

Chart 17

TOTAL GOVERNMENT REVENUE



Many countries of the region experienced fluctuations in government revenue during and after the Korean war boom. This was true not only of countries dependent on exports for a large portion of their national income, but also for India whose economy is less dependent on foreign trade than others. India however relied on customs revenue for about 30 per cent of total revenue (1949/50), and during the Korean war boom customs revenue increased rapidly because the duties on the exports of cotton and jute manufactures increased.

During the Korean war boom, the relative importance of customs duty as a *source of revenue* increased in most countries because of the rapid increase of exports and imports and also because export duties were raised in some countries. With the collapse of the boom, revenue from this source declined and by 1953 or 1954 was relatively less important than before the boom in Ceylon, the Federation of Malaya and Pakistan. In Afghanistan, Burma and Thailand, customs revenue has continued to expand, while in Ceylon it is again increasing after a decline in 1952, largely because of the high prices of tea.[1] In the Philippines, customs revenue is insignificant and remains unchanged. If the 17 per cent exchange tax be considered as a customs levy, this source of revenue has also increased rapidly in the Philippines.

A common feature to be noted in most countries of the region is the shift in the structure of import duties towards encouraging the import of capital goods by reducing or exempting duties on them and by allowing their freer imports while raising the rates on importation of consumer goods. For example, in Ceylon in 1954/55, additional local industries such as match-making and glass-blowing are allowed to import needed machinery at the concessional rate of 2½ per cent preferential and 12½ per cent general as against 17½ and 27½ per cent respectively. Special rates have also been accorded to the import of component parts for wireless and radio sets, special boiling-point spirit for extracting vegetable oils, dyes and dyestuffs, etc., while all dairy equipment and poultry farming apparatus are now to be imported duty-free. In Burma the preferenital tariff treatment given to India and other Commonwealth countries came to an end on 1 October 1953, and at the same time the new policy was designed to afford protection to local industries and to levy high rates on luxuries.

Although many countries in the region suffered from fluctuations in customs revenue during and after the Korean-war boom, the time lag in the collection of income tax in some countries, such as Ceylon, the Federation of Malaya and Pakistan, has been a compensating factor. In 1951 when customs revenue was more or less at a peak, income tax receipts in these countries had not begun to rise. In 1952 and 1953 when customs revenue was falling, income tax assessed on incomes earned during the boom swelled revenue from this source and gave time for the governments to make adjustments such as exploring alternative sources of revenue. In Ceylon total revenue hardly decline even in 1952/53 and since then has begun to increase.

Taxes on income and wealth are important as a source of revenue[2] in such countries as Japan, India and Ceylon. In Japan taxes on income and wealth increased proportionately with the growth of income and have contributed 45 to 50 per cent of the central government revenue. In India, income tax accounted for more than 40 per cent of central government

1. Export duty on tea was raised in May 1954 and will yield Rs 55.5 million more revenue in 1954/55 than in 1953/54.
2. The relative importance of taxes on income and wealth as a source of revenue as compared with other sources such as customs duties does not indicate either the absolute level or the incidence of income tax between countries.

revenue at one time during the second world war. With the change in rates and exemption levels since the war and the growth of other types of taxation it is now not as important as before. In Ceylon such taxes have increased in importance since 1951/52, and they now account for 26 per cent of total revenue. The increases have been brought about by levying a surcharge of 10 per cent on assessed income tax on persons and companies in 1952/53, and also by raising in 1953/54 the rates on companies and on personal income in the higher brackets. In other countries, not much revenue is obtained from income tax; it has increased rather slowly in Burma, Pakistan, the Philippines and Thailand. In the Federation of Malaya income tax revenue declined with the collapse of the boom, but it is still much larger than in 1949. In Singapore, revenue from income tax began to fall only in 1954 but is still many times the amount obtained in 1950.

Revenue from transaction and consumption taxes has generally moved together with changes in receipts from income tax. It is very important in the Philippines, China: Taiwan, the Republic of Korea and Singapore. In China: Taiwan and the Republic of Korea its importance is partly due to the rapid increase in prices, while in the Philippines it results from the inclusion of the 17 per cent exchange tax under this heading. In mainland China the transaction tax has a special significance, yielding a substantial revenue, inasmuch as the public sector encompasses a large number of State enterprises and prices of major commodities are strictly controlled.

In 1954 *government revenue* expanded not only in those countries (Afghanistan, Burma and Thailand) where government revenue had not been affected by the collapse of the Korean-war boom, but also in most other countries where it had fallen during 1952 and 1953. In Indonesia, Japan, Singapore and the Federation of Malaya, however, revenue in 1954 was lower than in the previous year.

The increases in government revenue resulted mainly from larger real national income and therefore government revenue at constant prices also increased in most countries during 1954. To a lesser extent it resulted from an improvement in the tax-collecting machinery as in Ceylon, Pakistan, China: Taiwan and Thailand. For some countries under inflationary pressures as in the Republic of Korea, Cambodia and Laos most of the increase of revenue was accounted for by price increases. In only a few countries was the the increase in revenue partly the result of increases in tax rates. In Cambodia the hotel and restaurant tax was increased from 3 to 5 per cent and the special defence tax on transactions raised from 0.5 to 1 per cent in August 1954. In Thailand the business tax introduced in 1953, which is in effect a sales tax, has proved to be a good source of revenue. In mainland China a more than three-fold increase of revenue between 1950 and 1954 was mainly the result of expanding revenue from State enterprises. In other countries, there were practically no increases in tax rates while in Pakistan a number of excise and customs duties were lowered in 1954/55 and concessions given on income tax and by way of relief from double taxation on foreign income.[1]

Among the countries for which data are available, total government revenues (both central and local) have in recent years expanded more than proportionately *in relation to national income* in Burma, Ceylon, the Philippines and Thailand. In Burma, government tax receipts[2] increased from 11 per cent of national income in 1948/49 to about 19 per cent in 1952/53. In the Philippines it increased from about 5 per cent of national income in 1946/47 to 10 per cent in 1953/54. In Japan, government tax receipts increased from 16 per cent of national income in 1936 to 26 per cent in 1948, but since then the government has taxed a slightly smaller portion of the national income. In other countries relevent national income data are not available; but judging from the government revenue figures adjusted for changes in the cost of living and from the probable slow increase of national product, it seems that most governments in 1953 and 1954 were able to tax a larger portion of national income than before the Korean-war boom.

Government revenues, however, will need to expand at a faster rate if rapid economic development is to be financed without serious inflationary pressures. With the exception of Burma (including profits of the State Boards) and Japan and mainland China where the governments have taxed more than 20 per cent of the national income, countries of the region have succeeded in obtaining in the form of revenue only less than 10 per cent of national income, which is likely to be insufficient for an accelerated developmental programme. In many countries less than half the government's developmental expenditures have been financed by revenue surpluses in the current account.

The difficulties of taxing a large portion of the national income in countries of the region are fairly basic and stem from such factors as a large agricultural sector part of which is outside the money sector, the low level of *per capita* income, the lack of efficient tax collecting machinery, and insufficient sense of responsibility of the tax-paying public. Furthermore, the income of the majority of the population is much below the exemption levels which have been fixed on considerations of equity and the cost and difficulty of collection on very small incomes. In fact the ratio of earned income to national *per capita* income up to which no income tax is payable is much larger in many countries of the region than in the more developed countries. In Burma (1953) a man with wife and three children has to earn over 20 times the national *per capita* income before he pays any tax on income. In India (1950) the exemption limit for a similarly placed person is about 11 times the *per capita* national income, while in Ceylon (1953) and the Philippines (1953) it is 14 times. Only in Japan, where the exemption limit for a similar person is 2.6 times the national *per capita* income, is the ratio only comparatively slightly above the same as in the United States (1.4), the United Kingdom (1.6), Australia (1.0) and Canada (1.9) in 1953.[3] This comparison, however, does not imply that the countries of the region can lower tax exemption limits in relation to *per capita* incomes to the level of the more developed countries. The cost of collecting taxes on small incomes would probably be larger than the receipts. Only with further social and economic development, including improved administration, accounting knowledge, etc., can this be attempted.

1. For example the maximum amount not liable to income tax was raised from Rs 3,600 to Rs 4,200 per year. The total effect of the reduction in tax rates was to reduce expected revenue in 1954/55 by Rs 22 million below what would have been received if the concessions had not been given. See *Finance Minister's Budget Speech 1954/55*, pp. 37-40.

2. Including rehabilitation contribution from the profits of the State Agricultural Marketing Board towards central government revenues. If the retained profits of the SAMB be included as a tax, the public sector in 1952/53 was able to tax 24 per cent of the national income.

3. United Nations Fiscal Division.

Further improvement in the tax-collecting machinery would yield better results, but a permanent increase in the proportion of government revenues to national income can occur only with very significant increases of real incomes and by an increase of existing tax rates and/or by levying taxes in new fields. Tax exemption limits may be lowered and the agricultural sector may contribute more to government revenue through a tax on agricultural income,[1] as has been successfully done in five States (Assam, Bihar, Uttar Pradesh, Orissa and West Bengal) in India. Part of the increases in income resulting from developmental expenditures may be taxed through bettermen levies. Customs duties, which are generally the easiest to collect, are already the most important source of revenue in many countries, but in others they are still not fully explored. In the Philippines, for example, they are less than 2 per cent of the total trade value,[2] for two-thirds of the exports are to the United States and four-fifths of the imports are from the United States and not subject to any customs duty.

Government expenditures

In most countries of the region notably China (mainland)[3] the importance of the government sector has increased in post-war years because of the larger role played by governments in promoting economic development. Among the countries for which data are available, the total expenditure by the public sector in relation to gross national expenditure has increased in importance in post-war years, in Burma, Ceylon and the Philippines. In Burma in 1954 it accounted for 22 per cent of gross national expenditure, as compared with 11 per cent in 1948; in Ceylon it increased from 15 per cent in 1947 to 18 per cent in 1953. In Japan, however, total government expenditure increased from 16 per cent of gross national expenditure in 1949/50 to 19 per cent in 1952/53. For other countries relevant national income data are not available,[4] but judging by the doubling during 1950-54 of total government expenditure in India, the Federation of Malaya and Thailand, it seems that the importance of the government sector in the economies of these countries has also increased.

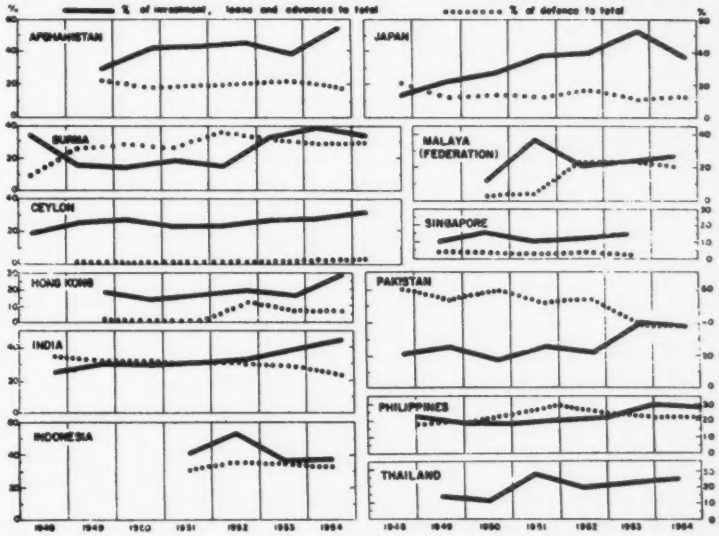
Central government expenditure continued to expand even after the collapse of the Korean-war boom. In 1954, government expenditure in most countries of the region except Ceylon and Japan continued to increase,[5] owing largely to greater developmental expenditures. In Burma, the increase of government investment and net loans and advances in 1953/54 over 1952/53 by K 189 million accounted for about 65 per cent of the total increase in expenditure. In India the increase in development expenditures of the central government in 1953/54 was about 70 per cent of the total increase in expenditure; in the Federation of Malaya it was about 40 per cent of the total increase in 1954; and in Pakistan the 1953/54 increase of development expenditure was much larger than the total increase of expenditure, as expenditures on defence and subsidies were reduced.

The reduction of expenditures in Ceylon in 1953/54 was achieved through the abolition of food subsidies. In 1954/55, however, total expenditure will increase slightly through an increase in development expenditure, but it will still be limited to expected revenues plus borrowing from abroad. In Japan expenditure in 1954/55 will not be expanded above the previous year, with a view to correcting the balance of payments deficit. In particular, government's investment and loans are reduced while defence and other current expenditures are increased.

Defence was the most important item of central government expenditure in many countries of the region in the early post-war years, ranging from about a third of total expenditure in Burma, Indonesia and India to over 60 per cent in China:

Chart 18

PROPORTION OF DEFENCE AND INVESTMENT EXPENDITURES IN TOTAL EXPENDITURE



Taiwan, the Republic of Korea and Pakistan.[6] In recent years, however, with greater emphasis on rapid economic development, government expenditure for investment purposes has increased in importance and is now larger than defence expenditure in Afghanistan, Burma, Ceylon, Hong Kong, India, Japan, the Federation of Malaya,[7] Pakistan and the Philippines.[8]

1. Efforts to increase taxes on agriculture may seem inconsistent with stated government objectives to improve the economic condition of agriculturists. It should be remembered, however, that agriculturists in post-war years are already better off than before the war in many countries of the region, through reduction in incidence of land tax, control of rents and land reform. Therefore governments could justifiably attempt to tax away a part of any additional agricultural income which may be generated by government expenditures for improvement of agriculture.
2. Customs revenue is less than 5 per cent of the total revenue.
3. The total government expenditure in mainland China in 1952, PBY 163,219,000 million, or $73,000 million if converted at the average official exchange rate of PBY22,270 to the dollar, would be 24 per cent of the gross national product of $300,000 million as privately estimated by Rostow, *op.cit.*, p. 279.
4. Although data on total national income for some years are available in a few other countries, detailed tables on gross national expenditure giving breakdowns between the government sector and the private sector are not available.
5. In Japan, however, the 1953/54 budget was expended by an extraordinary cause, namely typhoons. Between 1952/53 and 1954/55 there is a definite rise.
6. If expenditure of both central and States governments be added, then defence expenditure constituted 37 per cent of the total in 1949/50.
7. If the United Kingdom's expenditure on the emergency be added, the development expenditure may be smaller than defence expenditure in the Federation of Malaya.
8. For an analysis of the distribution of government development expenditure among different fields such as fuel and power, transport, agriculture, industry, etc. see *infra*, chapter 5 on "Progress of development programmes".

In mainland China, although developmental expenditure increased, actual expenditure on development was lower than budgeted expenditure in 1953, owing to increased government expenditure on defence and the technical and personnel difficulties encountered in the implementation of projects. In China: Taiwan the defence expenditure declined in relative importance but still constituted 58 per cent of the total in 1953. In Cambodia, military expenditure in 1954 would be more than twice the 1952 level and would constitute about half of the total expenditure. In Viet-Nam, over 70 per cent of the expenditure was for military purposes in 1953, but in 1954 such a percentage may have been reduced with the cease-fire agreement, though the absolute amount spent on military matters has continued to increase.

Defence expenditures have fallen, not only in relation to total expenditure but also absolutely, in Japan and Pakistan, and to a lesser extent in Indonesia and the Philippines. In Japan it was reduced from Y102,000 million in 1952/53 to Y123,000 million in 1953/54. In Pakistan it was cut from Rs 961 million in 1952/53 to Rs 775 million in 1954/55. Japan's reduction of defence expenditure was partly due to a decline in Japanese outlay in support of the United States garrison forces after the coming into effect of the Japanese peace treaty in 1952/53. To a large extent, of course, this was replaced by expenditure on Japanese defence establishment.[1] In Pakistan the government allocated larger funds for development by reduction of defence expenditure, which was made possible by the military aid from the United States.

Of the countries for which data are available, expenditure on social services is generally much larger than current expenditure on economic services,[2] reflecting to a certain degree the emphasis placed by governments on social welfare. In the Federation of Malaya and Singapore expenditure on social services is about four times that on economic services; in Burma, Ceylon and Hong Kong it is more than double, and in Indonesia about 50 per cent larger.

1. The importance of Japanese outlay on the United States garrison forces in relation to total Japanese expenditures on defence has declined from 88 per cent in 1950/51 (actuals) to 42 per cent in 1954/55 (estimates).

2. Government expenditures on *economic services* include current expenditure on agriculture, industrial development, scientific and technical research, irrigation, forests, ports, lighthouses, commerce and planning, while government expenditures on *social services* include current expenditures on education, health, social welfare and relief. Detailed information on these types of expenditure is available for most countries of the region except in China: Taiwan, Viet-Nam and Thailand. In Japan and the Philippines data are not available for expenditure on economic services.

Chapter 5. PROGRESS OF DEVELOPMENT PROGRAMMES

INTRODUCTION

The standard of living in the ECAFE region as a whole is distinctly lower than in most other parts of the world as can be seen from statistics of *per capita* consumption of selected goods (see table 13). Even Japan, which in general has a higher standard of living than other countries of the region, shows signs of under-development when compared with most western countries.

From the long-range point of view the problem of economic development in the region may be defined as that of raising this low standard of living to something more comparable to that of more developed countries through fuller utilization of the material and human resources of the region. The standard of living can be raised mainly through capital accumulation. A measure of the capital formation required for the region as a whole in order to raise the *per capita* income by, say, 2 per cent *per annum* may be roughly calculated by assuming an over-all capital/output ratio[1] of 2.5 and a rate of increase in population of 1.6 per cent *per annum*. The resulting requirement would amount to $10,800 million in the initial year, roughly 9 dollars per head of population[2] of the region. At present only Japan exceeds this rate of *per capita* accumulation. The target rate of investment expenditure during the second Five Year Plan of India, which is quite ambitious in the light of achievements to date, is Rs 10,000 million *per annum*,[3] or roughly $5.5 *per capita*.

This long-range objective of raising the *per capita* income inevitably results in different forms of short-run objectives and policies in the context of the specific historical and institutional conditions in each country. The *per capita* level of consumption of a country may even be deliberately lowered in the short run for the purpose of creating the possibility of faster development in the future. It is again possible, in fact quite probable in a number of countries in the region, that considerations other than the prior availability of investment funds (either through external assistance or from internal saving) are more important in creating a social atmosphere of nationwide participation in the betterment of living conditions, e.g. such institutional reform measures as land reform. The degree to which the population of a country willingly subjects itself to a programme of austerity in the interest of accumulation depends upon the degree to which they associate their long-run interests with the leadership of the State. Thus political factors also must be said to be relevant to the pace and character of economic development.

Although the countries of the ECAFE region all have a relatively low standard of living, they differ as regards the character of their developmental problems. Japan, for example, is a country which has already passed through a historical stage of capitalistic development and is now confronted with the problem of recovering economic viability after having had its economic structure dislocated by defeat in a major war. In mainland China the government is trying under a system of centralized planning to bring about a very fast pace of development largely with its own financial resources. And then, there is India which, since it acquired independence in 1947, has become extremely development-conscious and has developed its policies within the precepts of a mixed economy, attempting to harmonize the objective of rapid development with desiderata of social welfare and democratic control.

Investment criteria

Economic development, though it essentially involves various aspects of the life of a society, is necessarily a process of adding to the capital stock of the country, *i.e.* a process of net investment. The criteria for such ivnestment vary widely with the particular circumstances of each country. For the under-developed countries of the region, there appear to be a number of practical criteria which find

1. Capital/output ratio is here defined as the ratio of net capital investment to the resulting increase in national income.

TABLE 13

PER CAPITA CONSUMPTION OF SELECTED GOODS

	Food consumed per day (Calorie)	Apparel fibres (cotton, wool and rayon) consumed (Kg.)	Energy consumed[a] (coal equivalent in Kg.)	Steel supplies (Kg.)
ECAFE countries	Post-war[b]	1953	1953	1953
Burma	1,990	1.8	30	..
Ceylon	2,060	1.8	120	5.4
China: Taiwan	...	2.7	..	3.7
Mainland[c]	1,688	1.3	..	
India	1,690	2.2	110	5.1
Indonesia	..	1.4	80	2.8
Japan	2,160	6.6	960	77.0
Pakistan	2,030	0.9	50	2.2
Philippines	1,960	1.8	100	10.0
Thailand	..	1.2	30	..
Belgium	2,950	8.8	3,640	246
Canada	3,130	12.2	6,840	351
France	2,850	8.0	2,330	198
Sweden	3,000	10.0	3,700	320
United Kingdom	3,060	10.4	4,530	322
United States	3,120	17.4	8,010	624

Sources: United Nations Statistical Office and Food and Agriculture Organization.

a. Estimated consumption of commercial sources of energy expressed in terms of coal.

b. Burma and China (Mainland): 1947/48; Ceylon, and the United States: 1952; Belgium, Canada, France, India, Japan, Pakistan, the Philippines, Sweden and the United Kingdom: 1952/53.

2. This is about three times the present rate of investment.

3. Statement by the Finance Minister, Mr. C.D. Deshmukh, in Parliament, 20 December 1954.

their application in varying combinations. The most clearly defined is the general policy of *industrialization* as most sharply enunciated by the People's Republic of China, namely that the rate of growth of producer goods industries should exceed that of consumer goods industries and that the necessary resources for the expansion of the economy are to be provided basically by the deliberate creation of gaps between the rate of growth in labour productivity and that in real earnings of the working population. Secondly, emphasis in the investment policy of many countries of the region is on the development of *overhead facilities* for economic activities, such as transport and communications which are especially important for the creation of an integrated market economy. Thirdly, there is the criterion of increasing the degree of *self-sufficiency in food supply* which entails various forms of investment ranging from large-scale irrigation projects (often combined with electric power development) to government extension services of various kinds. Fourthly, *diversification* of the economy is also an important criterion for developmental investment in a number of countries of the region, especially in those where lop-sided development of a few primary products has subjected the country's economy to wide fluctuations of income and employment. Finally, most development programmes devote a portion of public funds to the improvement of *social capital, i.e.* public health, education, housing and social security, all of which contribute towards raising the productivity of labour ultimately.

Status of development plans

In a few countries of the ECAFE region, programmes for economic development have been officially adopted; and in some others they are in the process of formulation. However, almost all the countries have set out in broad terms the main direction of development projects in the public and private sectors and the total investment resources required for implementing them.

Cambodia, Hong Kong, Indonesia, Nepal and Thailand have at present no over-all co-ordinated economic development plans; they follow an *ad hoc* approach to development on the basis of individual projects. The Planning Bureau of Indonesia, however, hopes to complete the preparation of an integrated five-year plan by the end of 1955. In Thailand the task of drawing up a five-year investment programme has been entrusted to a steering committee of the cabinet. The development programmes of India, Pakistan, Ceylon, Malaya and British Borneo were outlined in the six-year development plans submitted by these countries under the Colombo Plan for Co-operative Economic Development in South and South-East Asia.[1] The six-year development programme of India as given in the Colombo Plan has been worked out on the basis of the Indian Five-Year Plan, which is India's operative plan. Burma, China: Taiwan, the Philippines and the Republic of Korea have also completed the formulation of development plans. In the case of the Republic of Korea, however, two development plans have been prepared, one by the government and the other by a firm of consultants appointed by the United Nations Korean Reconstruction Agency. The two plans have yet to be integrated. In Japan, the Economic Counsel Board of the government has made long term forecasts in respect of gross national product, investment and consumption and had under the new Cabinet in December 1954 drafted a six-year plan for over-all economic development. Mainland China is in a class by itself, having a centralised Five-Year Plan which started in 1953.

Strictly speaking, the existing development plans relate directly to the public sector only, but most of them have been so conceived as to fit into a general programme of development for the entire economy. For instance, the plans of Burma, India, Pakistan and the Philippines not only give the proposed outlays on development by public authorities, but also indicate the possible level of investment expenditure in the private sector. While the role and extent of the private sector vary from country to country, the following quotation from the Indian Five-Year Plan appears to represent a rather common approach to the problem of development expenditure in the private sector:

> "While the initiative for development in defined fields as well as the responsibility for co-ordinating the development programmes in the entire economy lies with the State, the part which the private initiative has to play in the progress of development has been recognized and defined. The development expenditure envisaged in the plan is therefore conditioned not only by the resources available to the public sector, but also by the needs and resources of the private sector. In other words, a single pool of investible resources on which both the private and public sectors have to draw is conceived. The problem is not merely to find resources for the public sector but to enlarge progressively the size of the common pool and to see that the total thus available is allocated between the two sectors in terms of agreed priorities."

DEVELOPMENT IN THE PRIVATE SECTOR

The deficiencies in national income data make it difficult in most countries to obtain direct evidence on total investment, which may be considered a good, though imperfect, indicator of the rate of progress. The course of development in the countries of the region has therefore necessarily to be discussed largely in terms of the development expenditure of public authorities on which detailed data are available. However, in the case of Burma, Ceylon, Japan and the Philippines where data on capital formation are more satisfactory, development in the private sector can be discussed on the basis of such data. In the case of other countries, indirect evidence has to be relied upon.

It would appear that the private sector accounts for the bulk of capital formation in Japan and the Philippines. In Burma and Ceylon public investment tends to become more important within total developmental expenditure. Development policy in *Burma* aims at keeping public capital formation high during the early stages of development and relying upon the resulting increase in gross domestic product to enhance private capital formation. The successful rice export monopoly has helped to stabilize private incomes and consumption and divert resources to the government, thereby ensuring their utilization for investment purposes. Another significant factor has been the growing importance of fixed capital formation both in the public and private sectors. In 1953 owing to large rice stocks held by the government, fixed capital forma-

1. In the case of Ceylon, a Mission organized by the International Bank for Reconstruction and Development at the request of the Ceylon Government has in its report surveyed the potentialities of the country and indicated the size of the investment programme for which Ceylon can afford to budget in the six years, 1953/54-1958/59. A similar mission visited the Federation of Malaya in 1954 and its report, which is also expected to outline a long-term plan, is awaited. In July 1953, a planing board was set up in Pakistan to review the resources of the country and to draw up an integrated five-year plan.

tion did not exceed 75 per cent of total gross capital formation. But in 1954 fixed capital formation represented more than 95 per cent of total gross capital formation, increases in stocks accounting for only K 25 million out of the total gross capital formation of K 450 million in the public sector and K 10 million out of K 460 million in the private sector. The 1955 target for gross capital formation is K 1,300 million, with K 790 million in the public sector and K 510 million in the private sector. All but K 30 million in the public sector and K 10 million in the private sector will be fixed capital, which will represent nearly 97 per cent of the total, showing a further increase in the investment of fixed capital.

Private capital outlay in Burma has been largely for residential, commercial and other kinds of construction activity. During the period October 1953 to March 1954 the value of imports of building materials increased by more than 50 per cent over the comparable period of 1952/53 and that of imports of machinery by about 10 per cent. It is not possible to know how much of these imports went into private-construction activity. However, since the output of hard wood, timber, bamboo and thatch–which are widely used in private construction–increased in 1954 over 1953, it may be assumed that most of the imports of building materials were used in private construction. Private investment in agricultural implements and carts was also higher in 1954 than in 1953, as a result of the increase in area sown to crops and a 3-per cent increase in the number of plough cattle. Investment in reclamation of fallow land amounted to K 6 million in 1954 and is expected to increase to K 10 million in 1955.

Gross private capital formation in *Ceylon* has been falling in recent years both in absolute terms and as a proportion of total gross capital formation. This has been due not to any deliberate policy on the part of government to place greater emphasis on public capital formation but to the collapse of the Korean war boom. Construction activity, which formed the bulk of private capital formation, fell from Rs 227 million in 1951 to Rs 143 million in 1953. The decline was also reflected in the two next important items of private capital formation, namely erection of machinery and opening of new plantations. Investment incurred in connection with the erection of machinery amounted to only Rs 42 million in 1953, as compared to Rs 53 million in 1951. On the other hand, imports of capital goods in 1953, though lower than in 1952, were still higher than in 1951. As far as industrial development is concerned, there is in Ceylon a shift from public to private enterprise. The government is withdrawing more and more from the industrial field and tries to encourage private enterprise to play a larger part. Government encouragement to private industry takes the form of exemption from or reduction of import duties on raw materials and machinery and also of direct financial assistance. The government is also trying to attract foreign private investment in industrial enterprises. Concessions listed among incentives include partial exemption from income tax up to five years and a high rate of depreciation allowance.

In *Thailand* also the Industrial Promotion Bill, recently passed by the parliament, seeks to provide financial and other facilities to private enterprises with a view to encouraging local and foreign investment in industrial enterprises.

The private sector accounts for almost 75 per cent of gross capital formation in both *Japan* and the *Philippines*. However, the composition of private capital formation is different in the two countries. While the share of fixed capital formation in total gross private capital formation is higher in the Philippines than in Japan (owing to larger volume of inventory increases in Japan), the share of productive equipment in fixed capital formation is larger in Japan than in the Philippines. During the period 1951-1953 it accounted for as much as 90 per cent of fixed capital formation in Japan, private housing accounting for the rest. In the Philippines, durable equipment and residential construction accounted for respectively two-thirds and one-third of fixed capital formation. Japan's high rate of capital formation in the post-war years appears to have been supported

TABLE 14

CAPITAL FORMATION OF SELECTED ECAFE COUNTRIES

(At current prices)

Year	Burma (Million K.)			Ceylon (Million Rs.)			Japan ('000 million Y.)			Philippines (million P.)		
	Gross capital formation	Gross capital formation as % of gross national product	Private gross capital formation as % of gross capital formation	Gross capital formation	Gross capital formation as % of gross national product	Private gross capital formation as % of gross capital formation	Gross capital formation	Gross capital formation as % of gross national product	Private gross capital formation as % of gross capital formation	Gross capital formation	Gross capital formation as % of gross national product	Private gross capital formation as % of gross capital formation
1947	481	16	51	130	5	75	345	26	58	698	11	92
1948	602	17	82	175	6	60	752	28	66	741	12	85
1949	260	8	81	276	9	55	831	25	64	663	10	71
1950	319	10	91	435	10	51	988	25	81	592	9	64
1951	476	13	63	556	12	60	1682	30	75	556	7	72
1952	743	18	63	609	13	50	1658	27	72	586	7	72
1953	870	19	48	559	12	44	1984	28	69	697	8	77
1954	*910*	*19*	*51*	..	..	..	..	..	..	..	..	..
1955	*1300*	*25*	*39*	..	..	..	..	..	..	..	..	..

Source: Burma: *The National Income of Burma 1954; Economic Survey of Burma 1954;*
Ceylon: United Nations. *Statistics of National Income and Expenditure*, series H, No. 6;
Japan: Economic Counsel Board, *Japanese Economy and National Income, 1954;*
Philippines: *Annual Report of the Central Bank of the Philippines 1953.*

partly by inflation. Financial institutions have financed almost two-thirds of private investment with funds obtained from the Bank of Japan. The policy of monetary restriction effective since October 1953 is designed to secure the required funds for capital formation out of voluntary savings of the private sector, instead of relying excessively on credit creation by banking institutions.

Various measures have been taken in the Philippines to encourage private investment in industries. These include tax exemption for new and essential industries, protection for domestic industries through drastic reduction of imports of competing goods, and exchange facilities for importing the capital goods and raw materials needed by these industries. However, only the United States citizen enjoys the same rights and privileges regarding investment as the Philippines national except in the repatriation of capital and remittances of profits, etc., where he is subject to exchange control and exchange tax as all other foreigners. The Central Bank has adopted a selective credit policy of encouraging industrial and agricultural loans and discouraging credits for non-essential imports and for residential construction and speculative activities. Private investment, which remained low in 1951 and 1952, increased substantially in 1953, but still remained below the peak (1948) level.

In *Indonesia* the falling off of private savings which accompanied the decline in *per capita* national income as compared to pre-war levels was further aggravated by the repatriation of foreign private capital. While a comprehensive policy on private capital import has yet to be officially adopted, the Indonesian Government, in keeping with the policies adopted by other governments in the region, has recognized the need for giving foreign investors freedom to transfer a reasonable part of their incomes and profits. However, foreign investment is sought only in industry, not in trading, banking or transport. As from 1954 only 15 per cent of Indonesian imports may be handled by foreign trading companies, another 15 per cent by non-Indonesian residents and the rest by Indonesian trading firms. It is the intention of the government further to reduce foreign control over the economy by converting all foreign trading enterprises in Indonesia into Indonesian enterprises. This is similar to the policy being followed in Ceylon where the government has been using bilateral trade agreements and import licensing as instruments for placing a larger volume of trade in the hands of Ceylonese nationals.[1] Prospects for foreign private investment in Indonesia however appear to be fairly bright since the Standard Vacuum Oil Company has planned to invest $80 million during 1955-57, and French, German and Japanese firms have also submitted investment proposals. An Industrial Development Corporation has been formed by the Indonesian Chamber of Commerce with the limited objective of facilitating the allocation of electric power and foreign exchange by acting as an intermediary between the government and businessmen and also between domestic and foreign businessmen. Industrial development in the private sector has been largely in the field of import-replacing industries like breweries, printing works, paint manufacturing, soap factories, weaving mills, clothing factories, etc.

Although in *India* the government is directly investing under the Five-Year Plan in a number of industrial fields, such as locomotives, chemical fertilizers, telephones, machine tools, etc., the major portion of industrial development is left to the private sector. The five-year financial programme for the organized private sector worked out by the Planning Commission envisages a total expenditure of Rs 6,130 million, out of which Rs 2,330 million is earmarked for industrial expansion. During the first three years, however, only about Rs 960 million or 41 per cent of the total target amount was actually spent on industrial expansion. Indications are that expenditure on modernization and replacement also lagged behind schedule. Supply of investible funds similarly did not reach the expected levels. During the first two years corporate savings and new issues provided only Rs 90 million and Rs 110 million respectively against an annual target rate of Rs 400 million and Rs 180 million respectively. Independent surveys of company finances have, however, shown that difficulties in the way of mobilizing equity capital rather than any inherent lack of investible funds have been responsible for the failure of private investment to reach the levels envisaged in the Five-Year Plan. A remedy to the difficulties in mobilizing equity capital is sought in the creation of a number of financial institutions, among which the Industrial Development Corporation and the Industrial Investment and Finance Corporation are likely to be the most important. The latter will invest mainly in rising industries capable of development by the private sector while the former will start new industries with government money in spheres where the size of capital required or the risk involved would deter private capital. Apart from creating institutions for providing industrial finance, the government has also given impetus to industrial development in the private sector through customs duties and quantitative import restrictions aimed at protecting domestic industries and through control of capital issues aimed at preventing misuse of investible funds.

In *Pakistan* the Pakistan Industrial Development Corporation (PIDC) and the Pakistan Finance Corporation have been instrumental in promoting private investment in industry—notably in textiles. The PIDC's policy of starting new factories and handing them over to private enterprises as well as liberal tax concessions to private industries have encouraged private investment. It has been estimated that private investment in industry during the last three years amounted to Rs 1,000 million.[2] In 1953/54 capital issues of a number of private companies were over-subscribed and new capital issues amounted to Rs 339 million[3] as compared with Rs 233 million in 1952/53.[4] Some of these, it is true, were financed by credit creation or from idle currency and bank deposits which apparently rose owing to reduced availability of consumer goods. Current savings appear to be increasing and there seems to be greater willingness on the part of the public to use these savings for industrial investment. Gross life insurance premiums, for instance, rose from Rs 9.8 million in 1951 to Rs 13.7 million in 1952, and it is expected that more savings will be mobilized through the Pakistan Insurance Corporation which started business in July 1953.

According to official estimates, capital formation in *Malaya* absorbs between 8 and 10 per cent of the national income and remains well above pre-1951 levels. Private

1. During 1954 imports from eastern European countries were brought under licence with a view to issuing licences to registered Ceylonese traders who also get preferential treatment in regard to imports from Japan and western Germany.

2. Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Third Annual Report, 1954*.

3. Foreign capital participated to the extent of Rs 55 million in the new capital issues of 1953/54.

4. Pakistan: *Memorandum to the Consultative Committee for Co-operative Economic Development in South and South-East Asia*, New Delhi, September-October 1953.

investment accounts for the greater part of total capital formation, and construction and machinery and equipment are the more important items in capital formation. At present, private residential building is falling off somewhat from its former high levels, but in other fields the volume of private investment seems to be fairly well maintained. The chief source of funds for investment is the undistributed profits of companies already existing in the area. Another source is the payment of war-damage claims which, however, will cease in 1955.[1] There is also a steady flow of overseas capital into new enterprises, such as factories, plantations, mines and timber exploitation. No discrimination whatsoever is applied against external capital which is subject to the same taxes or regulations as local capital. It has been estimated that the Federation of Malaya drew on external resources for the capital formation in the public sector amounting to M$14.4 million in 1952 and M$24.2 million in 1953. The anticipated figure for 1954 was M$21 million.

China: Taiwan is following a policy of selling government enterprises to private interests on suitable terms. Under the land-to-the-tiller programme, four government corporations are to be handed over to land owners who will part with their land against payment partly made (30 per cent) in the form of stocks in these enterprises. Already many of the factories taken over from Japanese nationals have been handed over to private interests. However, should private capital not come forward to undertake risky enterprises, the government itself would take the initiative in launching them, but only with a view to selling them to private share-holders later on. Like many other countries of the region, China: Taiwan has also promulgated statutes for investment by foreign nationals and overseas Chinese which permit limited annual remittances of profits, and the government is, in addition, contemplating tax concessions designed to encourage new industries and expansion of existing ones. Americans, Japanese and overseas Chinese (particularly from Hong Kong) are prominent among the foreign investors who have shown willingness to establish factories in Taiwan.

1. A considerable part of these funds has been used to repay bank loans for rehabilitation already carried out, but the balance is available for investment.

DEVELOPMENT IN THE PUBLIC SECTOR

In most countries of the region development expenditure of the public authorities has been concentrated on basic services such as transport and electric power; on irrigation and flood control measures designed to increase the output of agriculture; and on expanding the capacity of export and other industries. It includes not only expenditure on additions to fixed capital equipment and building construction but also initial recurring expenditure on social services, agricultural extension, etc. In mainland China, however, the character of public expenditures is much wider in scope, extending into manufacturing and trading enterprises under State ownership.

Pattern of development expenditure

Table 15 shows the distribution of development expenditure in selected countries of the region.

With the exception of the Federation of Malaya which during the past two years had been spending on an average 62 per cent of its total development expenditure on social capital, all other countries place greater emphasis on the provision of basic services, such as transport and communications, and fuel and power and on the development of agriculture through better irrigation and flood control facilities. The definition of social services varies from country to country, but by and large it covers public health, education, housing and social security. The large share of social capital in development expenditure in the *Federation of Malaya* is accounted for by housing schemes, improvements in new villages, national schools and teachers' training institutions and extension of public health and medical facilities. In *Burma*, the restoration and development of transport and communication facilities has been emphasized as a prerequisite both to social and economic development and to internal security. The larger volume of development expenditure incurred on transport and communications is also explained by the fact that in contrast to other parts of the development programme, improvements in the transport system have been in progress for a considerable time and adequate machinery for implementation is already in existence. The approved programme, therefore, represents a broadening of programmes already under way rather than a new line of development, and progress on implementing the transport pro-

TABLE 15

PERCENTAGE DISTRIBUTION OF PUBLIC EXPENDITURE ON DEVELOPMENT IN SELECTED ECAFE COUNTRIES

	Agriculture forestry and fisheries	Multiple-purpose projects	Transport and communications	Fuel and power	Mining	Industry and research	Social capital and others	Average annual total expenditure (in millions of national currency)
Burma: 1953/54–1954/55	12.8	—	36.4	15.2	2.3	17.6	15.7	477.5
Ceylon: 1953/54–1954/55	26.4	11.4	25.6	8.9	—	5.4	22.3	375.2
India: 1953/54–1954/55	26.8	13.8	24.9	7.0	—	5.3	22.2	4,663.4
Indonesia: 1953-54	9.7	12.3	24.1	4.2	0.4	33.8	15.5	1,625.1
Malaya (Federation of): 1953-54	4.8	6.2	17.8	9.5	0.1	—	61.6	117.9
Nepal: 1953/54	28.6	—	19.3	21.2	1.2	16.6	13.1	9.9
Pakistan: 1953/54–1954/55	20.6	12.0	24.0	7.2	—	15.5	20.7	1,002.0
Sarawak: 1953-54	2.4	—	57.8	9.4	—	—	30.4	17.0

Sources: *Economic Survey of Burma 1954;* Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Third Annual Report 1954*, Ottawa.

gramme could start more promptly than in the case of industry. In *Sarawak*, the high priority given to transport and communications is dictated by the need to open up the country.

While Ceylon, India and Pakistan also incur substantial expenditures on the provision of basic services, agricultural development which involves an extensive programme of irrigation covering minor as well as major multiple-purpose projects receives the highest priorities in these countries. In the case of *Pakistan*, this represents a shift in emphasis, since at the time the two-year (1951-53) priority plan was prepared the major emphasis was on industries; only a negligible amount was then allocated to agriculture. However, the fall in foreign exchange earnings and thus in the exchange reserves following the collapse of the Korean war boom, coupled with the food shortage in 1952/53, led to a new emphasis on the execution of agricultural schemes to raise grain production and thus secure a better balance of development expenditures. The large outlays on agricultural development in *India* and *Ceylon* reflect the high priority given to increasing domestic food production as a main means of saving foreign exchange.

The emphasis given in many countries of the region to agriculture as well as to basic services tends to limit the investment which the government can itself undertake in industries. In fact, the general trend has been to confine government direct investment to defence industries and to certain other specified key industries which by their very nature would not attract private capital. The rest of the industrial field is left largely to private enterprise. Of course, the government would supplement whenever necessary the resources of the private sector by providing financial assistance either directly or through the medium of institutions specially set up for the purpose. The greater stress being laid on the development of agriculture and basic facilities represents the desire on the part of the countries to strengthen the base of their economies. Once this is achieved, it is expected that the emphasis will shift to industries. The Government of India, for instance, has already announced that in its Second Five-Year Plan greater emphasis will be laid on industrialization. *Indonesia* is perhaps the only country among the Colombo Plan members which at present devotes a relatively high share to industries.

In *China: Taiwan* the Four-Year Plan stresses industrial development rather than agricultural expansion. The need to increase industrial production to replace imports, a good portion of which is now being financed by United States aid, is obvious, particularly in view of the fact that Taiwan's limited agricultural resources are already relatively well developed. In the development programme of the *Philippines* nearly a third of the proposed public investment outlay has also been earmarked for manufacturing industries. In contrast to other countries of this region the proposed outlay on transport and communications is rather limited in the Philippines. Considerable sums are, however, to be spent on multiple-purpose projects and power development. Since the light manufacturing industry of the *Republic of Korea* has been separated from the power and heavy industrial base situated in the North and its agriculture from the northern source of fertilizers needed for rice production, the filling up of these gaps has been given top priority together with housing, in the Korean reconstruction programme.

Expenditure on social services, generally speaking, has been maintained in most of the countries, although financial stringencies and the need for increased output within a short period of time have limited the amount which governments could devote towards this end.

In *mainland China* economic development under the First Five-Year Plan (1953-57) is sought through rapid industrialization and consequently the major share of capital investment is to be devoted to industrial development, especially in the sphere of heavy industries. While agriculture is to be developed with a view to augmenting the agricultural surplus and to ensuring adequate supplies of raw materials, capital investment in agricultural development will be limited, because of the greater use of labour intensive methods. This pattern of development is being pursued through a long range policy of enlarging the State-owned sector where the means of production are publicly owned and measures of direct control can be exercised. At present the State sector is predominant in large scale enterprises in industry, transport, trade and banking. And the State sector is stated to have contributed 53 per cent to the total value of industrial production in 1953 as compared with 34 per cent in 1949. Also in the "co-operative" and "State capitalist" (*i.e.* joint state-private) sectors, special measures are taken to dovetail production and marketing plans with the centralized plan for the State sector as a whole.[1]

GROWING VOLUME OF DEVELOPMENT EXPENDITURES

Trend in expenditures

Total development expenditures of the governments of Burma, Ceylon, India, Malaya and British Borneo and Pakistan have been steadily increasing during the past three years; they were 27 per cent higher in 1953/54 than in 1952/53 and in 1954/55 an increase of 31 per cent over the 1952/53 level is expected.[2]

In *India*, out of a total development expenditure of Rs 8,848 million[3] incurred during the first three years of the operation of the Five-Year Plan, 29 per cent was spent in the first year, 31 per cent in the second year and 40 per cent in the third. It is true that the total expenditure incurred during the three years represents only 40 per cent of the revised target of development expenditure in the Five-Year Plan. But it should be remembered that development expenditures have been so phased that the later years of the plan will have a higher rate of expenditure than the earlier years. Moreover, towards the end of 1953, the total outlay envisaged in the plan has been raised by Rs 1,800 million to be spent on schemes designed to yield increased employment within a short period. The short-fall in expenditure during the first three years of the plan could also be explained in terms of the late finalization of the plan, delayed commencement of some of the schemes, lack of detailed blueprints of projects and the time involved in setting up the necessary administrative machinery.

For the year 1953/54 a total of K 565 million was budgeted in *Burma* for capital expenditure in the public sector, covering both public enterprises and government departments. But the actual capital expenditure, both produc-

1. *Infra*, section on the mainland in chapter 10 on China.
2. Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Third Annual Report, 1954*.
3. *Five-year Plan Progress Report for 1953/54* (Planning Commission, Government of India).

tive and social, lagged significantly behind the approved programmes, particularly during the first half of the fiscal year. This was inevitable in so large a programme administered in the main by relatively new agencies, many of which were still in the process of organizing and preparing for the execution of the projects. Nevertheless, it is estimated that public capital formation reached the level of K 450 million in 1953/54. Out of this, K 425 million would represent additions to fixed capital and K 25 million increases in stocks. If allowance is made for capital expenditure of K 90 million on defence, capital expenditure on development would amount to K 335 million. In 1952/53 public capital formation also amounted to about K 450 million, but almost half of it represented inventory increases, additions to fixed capital accounting for only K 237 million. For 1954/55 the target for government expenditure on gross capital formation is K 790 million, out of which K 100 million will represent capital expenditure on defence and K 30 million on inventory increases.

The abolition of food subsidies and the policy of balancing the budget which followed the financial crisis of 1952/53 have placed the Government of *Ceylon* in a better position to promote economic development without serious danger of internal inflation or an external payments crisis. Estimated development expenditure in 1953/54 at Rs 350 million was Rs 50 million higher than in the previous year and is expected to increase by another Rs 50 million in 1954/55.[1] In the *Federation of Malaya*, a sharp rise in the labour cost and additional expenditures necessitated by the emergency have caused financial strains in recent years. Yet it appears that development expenditures have been well maintained. The governments of Malaya and British Borneo taken together incurred a development expenditure of M$240 million in 1953/54 which was 33 per cent higher than in the previous year. A further increase of 14 per cent over the past year is planned for 1954/55.[2] The programme of economic development of *Pakistan* has required public expenditure of about Rs 2,000 million between 1951/52 and 1953/54. For the year 1954/55 the central and provincial governments together are planning to spend Rs 1,142 million which would mean that by the end of 1954/55 the total outlay on development would have exceeded the target of Rs 2,600 million fixed in the Six-Year Development Plan of Pakistan. Some of the increases reflect the general rise in prices. But the major part of increased expenditure is a result of the expansion of the physical programme originally drawn up.

The estimated deficit in the government accounts of the *Philippines* of P 40 million in 1953/54 was due mainly to an increase in expenditure on development which rose from P. 324 million in 1952/53 to P. 427 million in 1953/54.[3] Draft estimates for 1954/55 indicate that the level of development expenditure should be maintained. In *Thailand*, owing partly to the government's policy of spreading development expenditure over a period of years and partly to technical and personnel problems in connection with the implementation of projects, actual expenditure on economic development in 1953, as against a budgeted expenditure of Baht 941 million, amounted to only Baht 656 million, a cut-back compared to 1952. While an expenditure of Baht 1,233 million is budgeted for economic development in 1954,[4] the prospects are the actual expenditure will be lower because of the existence of technical bottlenecks and the continuance of a policy of spreading out development expenditure. In *Indonesia* the reduction in overall government expenditure, necessitated by serious balance of payment difficulties, has affected capital outlays on development.

In *Japan* direct investment by the government for economic development projects such as forestry protection, expansion of food production and construction of roads and harbours increased sizably in 1953/54[4] as compared to the previous year and in 1954/55 it is expected to be maintained at the level of 1953/54.[5] As for the indirect investment expenditures by the government through such institutions as the Japan Development Bank, the Electric Power Resources Development Company, etc., they maintained a high level of over Y300,000 million both in 1952/53 and 1953/54, but will be deliberately reduced to Y280,500 million in 1954/55 as part of the retrenchment policy. However, public funds actually made available to industries for development purposes are as high in 1954/55 as in 1953/54 at the approximate level of Y130,000 million, partly because of the lag between the appropriation by the government and the actual advance to industries and partly because of reinvestment of interests and some principals by intermediary semi-public banks.

The 1953 budget of *mainland China* allocated a sum of PBY104,000,000 million or roughly $4,400 million to economic development but only about PBY86,000,000 million ($3,700 million) or 83 per cent of the budgeted amount was actually spent owing to large military outlays and delays in the implementation of projects. The level of actual expenditure incurred on economic development thus represents about 13 per cent of the gross national product estimated at $30,000 million.[6] Roughly three-fifths of the total actual expenditure on economic development were devoted to capital-intensive projects under the heads "industry" and "other" (probably defence industries), and the remaining two-fifths to labour-intensive projects in the fields of agriculture, forestry and water conservancy, transport and trade and banking. The tempo of economic development has been further stepped up in 1954 when the total budget provision for economic development was increased by 32 per cent; 63 per cent of the proposed outlay is to be devoted to capital-intensive projects and the balance to labour-intensive projects. The rate of increase in developmental expenditure is greater in the case of heavy industries, transport and communications than in the case of trade and banking, industries, agriculture, forestry and water conservancy.

Financial resources for development

It is true that basic development has been slower than is needed to achieve the objectives of the various economic development plans. But what is significant is the fact that even in the face of declining financial resources, almost all the governments in the region succeeded in maintaining and even raising their expenditure on development programmes. This has resulted in widening of the gap between the estimated costs of firm development programmes and foreseable financial resources. In the case of India, while savings mobilized through public loans and small savings schemes are likely

1. Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Third Annual Report, 1954*.
2. *Ibid.*
3. Data supplied by the United Nations Fiscal Division.
4. Government of Thailand figures.
5. Expenditure out of the general account for these purposes amounted to Y81,700 million in 1952/53, increased to Y103,400 million in 1953/54 and will further rise slightly to Y109,100 million in 1954/55.
6. Rostow. *op.cit.*, p. 279.

to reach the target, a short-fall in revenue surplus of the State governments and profits of government enterprises seems to be inevitable for the plan period as a whole.

The general decline of export prices has lowered the yield of export duties and the reduction in many countries of imports, particularly of less essential goods, has similarly lowered the yield of import duties. Such a trend was most noticeable in Pakistan and in the Federation of Malaya.

Burma, where the contributions from the State-managed boards (in particular, the State Agricultural Marketing Board) have accounted for something like 45 to 50 per cent of total revenue, has not so far experienced any shortage of financial resources in relation to feasible expenditure on development. The other countries have taken a variety of measures with varying degrees of success for meeting the situation arising out of the widening gap between expenditure needs and foreseable available financial resources.

Ceylon and Pakistan have followed a policy of holding non-development expenditure under strict control. Intensified collection of existing taxes and re-orientation of the tax administration have resulted in improvements in tax revenue in the Philippines and in Thailand. In Indonesia, while all postponable expenditures are being deferred, new taxation measures have also been taken. With a view to mobilizing the savings partly created by the severe restraint upon imports, Pakistan extended the facilities available under the small savings scheme. In addition, successful efforts have been made to promote non-central bank purchases of government bonds and treasury bills.

Of particular significance is the creation in several countries of new government-sponsored institutions like the Industrial Development Corporations in India and Pakistan for mobilizing and channelling domestic savings into investment. Mention must also be made of certain specially favourable circumstances which have provided additional resources for development. The buoyant demand for tea caused by the abolition of rationing in the United Kingdom, for instance, resulted in a substantial increase in Ceylon's customs revenue from the export duties on tea. In India, efforts of the government in raising loans from the capital market have met with growing success and the indications are that the target for loans from the public in the Five-Year Plan will in all probability be exceeded. While budget estimates for 1953/54 placed net loan receipts at the negative figure of Rs 20 million, the revised estimates show that loan receipts would be of the order of Rs 416 million. In view of the satisfactory response to the national plan loans of 1954, it is expected that the actual receipts in 1954/55 will exceed the budget estimates of Rs 432 million.

An encouraging feature of the process of development in this region is the growing realization that resources can be mobilized for development outside the conventional financial mechanism. In this respect, voluntary community co-operative activities undertaken under the community projects programme in India and the Pyidawtha projects programme in Burma, have demonstrated how unused and under-employed human and physical resources can be brought into production with relatively little capital and how yields from existing resources can be increased at relatively little cost. The basic principle of these programmes is that the motive force for improvement should come from the people themselves and also that the co-operative principle should in general be applied to solve problems of rural development. It is intended, with relatively small government expenditures (about 4 per cent of the total outlay of the Five-Year Plan in India), to provide the necessary incentive and desire on the part of the villagers to better their own lot. The programme would also contribute to the absorption of underemployed rural manpower at a capital output ratio far lower than in the case of usual development expenditures. In the Pyidawtha projects, which are carried out by local voluntary efforts with government assistance, cash formed about half of the voluntary contributions, labour more than one-third, and materials the remainder.

Such techniques, no doubt, can cover only a limited sector of developmental activities but they are fundamental to economic development and are growing in importance. Ceylon has national community programmes in the making, and in the Philippines, while there is as yet no comprehensive national programme for community development, the community school movement provides an interesting and significant beginning.

Financial and technical assistance from international agencies and from inter-governmental bodies or individual governments through grants and loans and through the provision of technical personnel are also an important element in supplementing domestic resources devoted to development. Details of the various forms and types of external aid given to the countries of the region by contributing countries and by international agencies are given elsewhere.[1] While external grants and loans are playing a valuable role, the total magnitude of such assistance is rather small. For instance, loans to countries in the region authorized by the International Bank for Reconstruction and Development up to October 1954 amounted to $230 million or 11.6 per cent of the total amount authorized by the Bank and the amount disbursed to the countries in this region totalled only $104 million or 7 per cent of the total disbursed. The fact that the Bank has been able to dispose of more non-dollar resources for lending is, however, worth nothing, as this may facilitate borrowing by countries which find it easier to service loans in non-dollar currencies. Moreover, the expanded possibilities of non-dollar borrowing have coincided with the increased availability of capital equipment from non-dollar countries.

In addition, most countries in the region have taken specific measures to improve the climate for private foreign investment or issued official declarations welcoming foreign enterprises in specific fields. It may be noted that such special efforts to enlist the participation of private foreign capital in particular ventures are becoming more and more successful. Thus, the Sui Gas project in Pakistan, financed by both private and public capital, has secured the participation of United Kingdom capital. In Burma, the government has gone into partnership with existing foreign enterprises in the fields of oil and minerals and this may bring in more foreign capital in the future. In India, foreign capital has been successfully enlisted together with private domestic capital in the construction of three oil refineries.

In mainland China, receipts from State enterprises (mainly State trading companies) have been an important source of financing development. Their share in total revenue increased from 13 per cent in 1950 to 35 per cent in 1953 and is budgeted to rise to 36 per cent in 1954. Even though there may be an element of over-statement in these

1. *Supra*, chapter 3 on "International trade and payments".

receipts, it is evident that the sphere of operation of state trading companies has been steadily expanding and now includes both foreign and domestic trade. The scheme of planned purchase and planned supply applies not only to foodgrains and edible oils, but also to cotton and cotton cloth. The government has also taken measures to absorb the excess purchasing power in the hands of the rural population resulting from the State purchase of agricultural products. These measures include promotion of rural savings deposits by the offer of preferential interest rates. While external assistance in the form of technical and financial aid is available from the USSR and other eastern European countries, the financing of economic and social development is sought largely from internal sources. In this connection, great stress is being laid on the employment of surplus rural labour in flood control, drainage and irrigation, building of roads and railways, etc.

CONCLUSION

The increases in agricultural and industrial production resulting from the expenditures incurred on development programmes have been described in earlier chapters. These increases, while not spectacular, have been large enough to permit a rise in the *per capita* incomes of many countries of the region. Table 16 shows the index number (1948=100) of *per capita* real income in selected ECAFE countries.

The *per capita* income in Burma, where production facilities suffered from destruction during the war and later during the period of insurrection, is still substantially below the pre-war level; but it has been steadily rising since 1951. *Per capita* incomes in Ceylon, Malaya and Thailand have shown large increases in recent years compared to pre-war levels but have been fluctuating, depending on the volume of export earnings. India and the Philippines have also been recording steady increases but the lack of data relating to pre-war years makes it impossible to compare the current levels of *per capita* incomes with pre-war levels. While China (Taiwan only) had by 1953 surpassed the pre-war level, Japan had almost reached the pre-war level by that year.

It is important to note that substantial expenditures have been incurred in developing overhead facilities and in expanding the base of the economics. The effect of such expenditures on production and incomes however is not immediately obvious, as they take time to reach the stage of fruition. Table 17, which shows the imports of selected capital goods into ECAFE countries, would serve as an index of the success of the efforts being made to expand the capital base of the economics.

The foreign exchange resources which accrued during the Korean war boom gave a fillip to development expenditures both in the public and private sectors. This led to a direct increase in foreign exchange expenditures on capital goods imports which reached high levels in 1952. The sharp decline in export earnings which followed the collapse of the Korean war boom, however, necessitated a lower level of imports in many countries. Even though import restrictions imposed by governments did not apply to import of machinery and materials required for industrialization and development, the general fall in incomes did affect investment activity and the demand for capital goods imports. Hence 1953 witnessed a lower level of capital goods imports compared with 1952. This was particularly so in countries like Malaya, which depend heavily on export earnings and whose investment activity is concentrated in the private sector. In Pakistan, owing to the over-all shortage of foreign exchange resources, the decline in capital goods imports in 1953 was most drastic, in spite of the substantial volume of imports of such goods on government account. By 1954 the situation had, generally speaking, improved in many countries as a result partly of the re-orientation of export prices and policies and partly of the success of import control measures, and it was possible to finance a larger volume of capital goods imports. The improvement was most noticeable in Pakistan where the increase in domestic output of certain manufactured consumer goods had made it possible to use more foreign exchange for capital goods imports. In India, in spite of an improvement over 1953, the 1954 level is still below 1952; this may be explained in part by the increase in the domestic output of certain types of capital goods. The general decline in export incomes continued to limit the volume of capital goods imports into Malaya.

TABLE 16

INDEX NUMBER OF PER CAPITA REAL INCOME[a] IN SELECTED ECAFE COUNTRIES

(1948 = 100)

	Burma[b]	Ceylon	China: Taiwan	Hong Kong[c]	India[c]	Indonesia	Japan[c]	Malaya	Pakistan[c]	Philippines	Thailand[d]
1938	151	66	118	..	..	100	174	..	..	..	77
1947	87	92	..	88	..	..	88	95	..	94	88
1948	100	100	..	100	100	..	100	100	100	100	100
1949	91	107	100	107	101	..	112	98	100	103	123
1950	83	130	105	..	100	..	131	142	..	114	136
1951	92	142	106	..	102	86	143	..	..	116	129
1952	97	137	118	..	*106*	88	160	..	..	121	118
1953	*104*	130	128	..	*112*	..	172	..	..	*135*	..

a. Rough estimates by deflating national income at current prices by cost of living index for Ceylon, Hong Kong, Malaya, Pakistan, the Philippines and Thailand.
b. National income at current prices deflated by the ratio of "gross domestic product at current prices to gross domestic product at 1947/48 prices".
c. Year beginning 1 April.
d. Net domestic product at factor cost.

TABLE 17

VALUE OF IMPORTS OF SELECTED CAPITAL GOODS[a] INTO ECAFE COUNTRIES

(million dollars)

	1948	1949	1950	1951	1952	1953	1954[b]
Burma[c]	55.0	20.3	15.7	17.8	32.0	38.7	54.0
Cambodia–Laos–Viet-Nam	39.6	50.8	50.3	57.5	106.0	97.1	67.1
Ceylon	28.6	30.5	23.8	42.9	51.2	45.9	33.2
China: Taiwan	..	..	10.0	19.5	27.3	22.9	21.1
India	419.8	479.7	340.0	346.1	357.6	313.0	329.8
Indonesia	66.1	95.6	62.1	135.0	160.9	190.8	199.0
Malaya	82.4	74.6	75.4	148.5	167.5	120.8	109.0
Pakistan[d]	41.8	59.4	69.0	88.2	128.9	61.4	112.6
Philippines	81.5	94.8	52.9	78.6	82.4	104.1	107.8
Total of above countries	814.8[e]	905.8[e]:	699.1	934.2	1,113.8	994.8	1,033.7

Note: Figures which were originally supplied in national currencies have been converted into US dollars at exchange rates given by the International Monetary Fund.

Sources: National trade returns.

a. Comprising base metals, metal manufactures and machinery and transport equipment. For the Philippines (except for 1953 nd 1954), China: Taiwan and Pakistan, figures relate to iron and steel manufactures and machinery and transport equipment.
b. Annual rate based on first 9 months' figures, except for Cambodia, Laos, Viet-Nam, Malaya, and Pakistan figures for which are based on Jan-Aug returns.
c. Prior to 1951, years ending 30 September.
d. Prior to 1950, years beginning 1 April.
e. Excluding China: Taiwan.

Chapter 6. AFGHANISTAN

Afghanistan, covering an area of 650,000 square kilometres, has an estimated population of about 12 million.[1] Four-fifths of the land area is covered by mountains; two large potentially fertile plains, in the north and in the south-west, afford considerable scope for development. There are large deposits of many minerals including oil, coal, zinc, lead, iron, chrome, magnesium, manganese and copper. No proper geological survey, however, has been made except for a beginning in petroleum; known coal reserves are estimated at 59 million tons. Very few mineral deposits are worked at present. A network of big rivers (none navigable) affords considerable scope for irrigation and hydro-electric power, especially the Helmand river and its tributaries.

The national income for 1953/54 is estimated at Afg 12,500 million, giving a *per capita* income of Afg 1,000.[2] Ninety-five per cent of the people depend on agricultural and pastoral pursuits which provide almost 80 per cent of the national income. With improved public health conditions[3] population is estimated, on the basis of limited data, to be increasing by 2 to 3 per cent per annum.[4] Of the 12 million people, less than one million live in urban areas. Two million nomads present special problems in administration, but many are being settled in the Helmand Valley.

Afghanistan has about 5,300 km of gravel roads[5] but no navigable rivers or railways, and hardly any air service. Frequent break-downs of tele-communications occur because of high winds and poor installation; the radio-telegraph network is available mainly for government use. The country is landlocked with no sea-ports and has common frontiers with the USSR, Iran and Pakistan. Most of its foreign trade is through the port of Karachi, Pakistan, and this has raised some problems.[6]

The deficiency of transport has been a major handicap to development, and even the present efforts to improve this service are inadequate. Highway development is urgently needed, so also other means of transport including internal air services.

The country is self-sufficient in foodstuffs,[7] but has to import manufactured consumer and industrial goods. Its exports are agricultural products, 55 per cent by value being karakul (Persian lamb) skins, wool and cotton. Dependence on karakul, an unstable luxury item, for 30 per cent of the country's export earnings has made the planning and financing of economic development more difficult.

Before the war, Afghanistan's important trading partners were the USSR, Germany, the United Kingdom, India and Japan. The closing of German and Japanese markets during the war, difficulties in supply from Europe in the early post-war years, and loans from the United States since 1950 have contributed to make the United States, next to India, the most important trading partner of Afghanistan, both as a supplier and as a market for sheep skins.

1. No population census has so far been undertaken in the country.

2. At the official rate of exchange of $1=Afg 17, the *per capita* income is about $60 per annum. But at the more realistic market rate the per capita income would be about $25.

TABLE 18

AFGHANISTAN: PROVISIONAL ESTIMATE OF GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN, 1953/54

	Million afghanis		Per cent	
Agricultural products		9,000		72.0
Wheat	4,085		32.7	
Fruits	1,020		8.2	
Karakul, hides and wool	680		5.4	
Livestock	1,000		8.0	
Dairy	1,000		8.0	
Cotton	380		3.0	
Others	835		6.7	
Industrial products		800		6.4
Textiles	200		1.8	
Electricity	120		1.0	
Carpets and rugs	220		1.6	
Sugar, mining, building materials and other products	260		2.1	
Trade and other services		1,000		8.0
Wood		800		6.4
Miscellaneous		900		7.2
Gross national product		12,500		100.0

Source: Ministry of Finance, Government of Afghanistan.

3. With aid from the United Nations World Health Organization, malaria and other diseases, formerly widespread, have been wiped out in large areas. After the second world war there was only one hospital; now many have been built.

4. Based on data of male population in the Kataghan Province from 1944/45 to 1950/51. The estimated increase in total population from 10.97 million in 1937 to 12 million in 1951 would however mean a much smaller rate of increase.

5. About two-thirds motorable all the year round.

6. In the third quarter of 1954, it was reported that the Government of Pakistan had decided to allow goods imported from other countries on transit to be exported to Afghanistan (*Pakistan News Digest*, 15 August 1954).

7. The reportedly poor wheat crop in 1952/53 led to an import of 10,000 tons of flour at a cost $1.5 million, financed by the United States Mutual Security Agency.

DEVELOPMENT PLANNING

Afghanistan is deficient in overhead economic capital such as transport, power and trained personnel.[1] The seven-year Over-all Economic Development Plan[2] (1932/33—1938/39) reformed the currency, introduced corporate business organization, encouraged private investment in textiles, sugar and leather-goods manufacture, but did little for transport or power.

Since the war, owing to lack of financial resources, the government has mainly concentrated on individual projects. The Helmand Valley development has been tackled first, but the costs have exceeded by many times the original estimate and innumerable unforeseen difficulties have arisen.

The five-year plan

An integrated five-year plan was submitted by the Ministry of National Economy to the United States Export-Import Bank in early 1949 as the basis for loan negotiations (see table 19). However, the bank preferred to consider only applications for individual projects which would meet the bank's criteria for lending.[3] The government therefore made a second request for $34.2 million, of which $8.8 million was to be spent on the Kajakai Dam, $9.4 million on the Boghra canal, $8.2 million on the Arghandab dam, $4.0 million on coal mining equipment and $3.8 million on the cement plant. The bank granted, in April 1950, only $21 million repayable in eighteen yearly instalments from October 1956 to cover the three irrigation projects.

The five-year plan prepared in 1948 was revised in 1949, but was not formally adopted by the government partly because of difficulty in borrowing sufficient funds, and partly because the government had not agreed on a definite policy. But, projects for the expansion of the textile industry and the Sarobie hydro-electric power plants were carried out jointly by the government and by private enterprise.

In the revised five-year plan, the estimates of capital-output ratios[4] were mainly based upon experience in other countries with similar conditions. In agriculture (irrigation) the assumed ratio was 1.2:1 to 1.8:1,[5] in the textile project 2.3:1, in cement and tile projects 4.6:1, and in tele-communication and hydro-electric installations 6.7:1.[6] From these ratios and the distribution of investment between the projects, it may be estimated that the over-all capital/output ratio of the plan was about 2.7:1. The foreign exchange cost of the revised plan was two-thirds the total cost because of the nature of the projects and of the lack of industrialization of the country, although a foreign exchange requirement equal to one-third of the total cost is usual in the development programmes in most other countries of the region except India and Japan, where it is even lower.

The most important part of the revised five-year plan relates to the irrigation projects, especially the Helmand Valley project. Before soil fertility had been impaired by cultivation without fertilizers and rotation of crops centuries ago, this valley produced agricultural surpluses. Hand-built canals and weirs followed the shifting river course, but their deterioration largely destroyed the once flourishing cultivation. In 1946, about 60 per cent of the 200,000 hectares of good soil lay idle. Some canal building had been carried out before the war, but only in post-war years was the problem tackled in earnest. The foreign exchange accumulated during the war years and the high price of karakul skins in early post-war years enabled the government during the four years 1946/47–1949/50 to spend on the development of the valley $16.6 million, plus Pakistani Rs 12.5 million and Afg 39.6 million, though without making much headway. Irrigation projects had been started without a thorough survey. Complications arose when it was realized that dams and reservoirs would have to be built to permit effective use of the water. The estimated further cost of developing the valley was put at $63.7 million in 1949. Of this, $23 million for the first phase was included in the revised five-year plan. The whole project when completed would irrigate 280,000–360,000 hectares of land of which about two-thirds would be new or reclaimed land not yet under cultivation.

The expenditure on the development of the Helmand Valley has been a great strain to the country. From 1948/49 to 1953/54 government expenditure on this project from its own funds (i.e. not including expenditure financed by the United States Export-Import Bank) absorbed 15 per cent of the government revenue. Before the loan from the Export-Import

1. In the early post-war years less than 10 per cent of the boys and less than 0.3 per cent of the girls of elementary school age were in school. Now, however, primary education is compulsory and literacy is estimated to be over ten per cent. Free education is provided up to the university level, but both the demand and the facilities available are still extremely limited. Technical and vocational schools have also been opened.

2. The plan was mostly self-financed, except for the $1 million loan from the United Kingdom borrowed in 1937 and repaid by 1947.

3. The bank was guided by three major considerations: (1) the ability of Afghanistan's balance of payments to aborb the debt service burden; (2) the amount of investment which would make greatest contribution to the intermittent food deficit, and (3) the minimum amount necessary to enable the Afghans to give the contractor an economical volume of business. For further detail, see Peter G. Franck, *Obtaining financial aid for a development plan — The Export-Import Bank of Washington loan to Afghanistan*, September 1953 (US Government Printing Office).

TABLE 19

AFGHANISTAN: COST OF THE REVISED FIVE-YEAR PLAN 1949-53

Million dollars

	Revised Five-Year Plan		Percentage distribution of total cost
	Total cost	Foreign exchange requirement[a]	
Irrigation	44.3	28.7	37.6
Of which: Helmand	23.0	18.4	19.4
Arghandab	10.7	8.3	9.1
Kataghan	10.6	2.0	9.0
Industry	36.2	24.8	30.6
Cotton ginning, seed, soap, sugar (Kataghan)	3.7	1.1	3.1
Textiles	25.7	16.2	21.8
Cement and brick	5.6	4.5	4.7
Foundry and machine shop	1.2	1.0	1.0
Mining: coal and others	7.0	5.5	5.9
Electricity (hydro-electric)	9.0	5.0	7.6
Road building and transportation services	3.5	2.5	3.0
Tele-communications	14.0	7.8	11.9
Engineering surveys	4.0	4.0	3.4
Total	118.0	78.3	100.0

Source: Peter G. Franck, *op.cit.*

a. Not including about $4 million in Pakistan rupees for expenditures in Pakistan which were included in the original version of the plan.

4. The ratio of capital investment (input) to the estimated value of the annual output expected from the investment.

5. Excluding the investment by the farmers.

6. See Peter G. Franck, "Problems of Economic Development in Afghanistan", in *Middle East Journal*, July 1949, pp.293-314; also Peter G. Franck, *op.cit.*, p.18.

Bank was obtained, the foreign currency cost of government expenditure on the project absorbed 19 per cent of the country's export proceeds (1946/47–1949/50), while total costs were about 27 per cent of government revenue (1948/49).

The target dates of the revised five-year plan have been constantly adjusted to take account not only of the financial bottlenecks, but also of the physical ones such as lack of personnel in planning, delays in arrivals of equipment and in construction. The difficulties in carrying out the Helmand Valley project include the lack of data on the various soils in the area, lack of knowledge of the proper methods of using water for the different types of crops suitable to the locality, the uneconomic size of holdings fixed by the government, the delays in allocation of land to would-be settlers, and the lack of agricultural extension service personnel. Construction delays were experienced on the Boghra Canal and on the Kajakai Dam,[1] but the Arghandab Dam was finished on schedule in December 1952. In 1953 and again in 1954 about 8,000 hectares of additional land were irrigated. To solve the difficulties raised by the development of the Helmand Valley the government in July 1952 created an autonomous Helmand Valley Authority with very wide powers.

In the industrial field, a German firm in 1950 started construction of the Sarobie hydro-electric power project and 15,000 additional spindles were ordered for the old textile mill at Pul-i-Khumri which began working in 1953. Contracts were also signed in 1951/52 for a new factory at Gulbahar with 60,000 spindles and 1,250 power-looms.

Total public and private investment expenditure increased by about 75 per cent between 1949/50 and 1952/53 (as per indicators in table 20); the increase was large in real terms also because the cost of living index increased by only 6 per cent. It is estimated that domestic investment was 10.3 per cent of gross national product in 1953/54. This is fairly satisfactory for Afghanistan, which has a relatively low level of national income. But it should be noted that part of the investment was financed by the loan from the United States Export-Import Bank.

Current developments in planning

The Central Planning Unit under the Ministry of National Economy was formed towards the end of 1952 to collect data and draw up a comprehensive plan integrating the projects proposed by the various ministries. This unit, which created eleven sub-units for agriculture, transport, etc., has not yet produced any co-ordinated plan. In fact, it stopped functioning, in September 1953. The secretariat attached to it was shifted to the Prime Minister's office in the second half of 1954, but new members for the Central Planning unit have not been nominated as yet.

As early as January 1953 the government applied for a second loan of $20 million from the United States Export-Import Bank mainly to finance the opening up of new land under the Arghandab Dam (12,000 hectares) and the Boghra Canal (32000 hectares) and to improve 51,000 hectares of land through better drainage and water control. Other projects included were the Arghandab power plant ($2.1 million), a chrome mining programme ($0.4 million), a comprehensive soil survey of the Helmand Valley ($1.0 million), and a road improvement and maintenance programme ($5.3 million). The bank in early 1954 granted a loan of $18.5 million repayable in eighteen years.

The government has many other development projects which cannot be implemented for lack of foreign exchange. One such project, prepared with the help of the United Nations International Civil Aviation Organization, is the proposed establishment of an international airport at Kandahar[2] at an estimated cost of $2.15 million plus Pakistan Rs 600,000 and Afg 18 million; the government feels it can find the funds for the cost in Pakistani rupees and in Afghanis, but would like to obtain an international loan for the dollar cost. Since the country has recently become a member of the International Bank for Reconstruction and Development, loans from the International Bank for financing this or other projects may become a possibility.

PRODUCTION

In sugar beet and raw cotton production and in several industries such as textiles and sugar processing output has increased rapidly above pre-war levels. The production of karakul skins, however, is generally lower than before the war because bad winters in 1944 and 1948 destroyed about a third of the flock. The increases in output were mainly the result of development projects. The diversification of both production and exports continued to receive the attention of the government. Steps were also taken to solve the difficulties in the karakul sheep rearing industry.

1. This dam has been completed.

2. The incentive for international airlines flying from Europe to the East to use Kandahar will be the saving of two flying hours as compared with the existing routes.

TABLE 20

AFGHANISTAN: INDICATORS OF INVESTMENT

Million afghanis

Fiscal year	Expenditure on public work, irrigation and agriculture[a]	Expenditure of government enterprises	Investment of Bank of Afghanistan in enterprises[b]	Investment of the Banke Millie Afghan Kabul	Total
1948/49	..	..	..	324	..
1949/50	115	16	31	392	554
1950/51	238	40	36	433	747
1951/52	266	36	68	421	791
1952/53	279	87	138	464	968
1953/54	218	94	172	..	..
1954/55	507[c]	112[c]	..	..	..

Source: Ministry of National Economy and Bank of Afghanistan.

a. Including expenditure on Helmand Valley projects financed both out of its own revenue and by borrowing from the United States Export-Import Bank.

b. Consisting of shares owned by the bank in various enterprises such as Electric Corporation, Textile Co., Cement Co., Ahak Corporation, Naimana Handicraft and Construction Co. The bank does not hold any government bonds.

c. Estimates.

Agriculture

Inefficient methods of cultivation and landless labour are among the important problems in agriculture. Of the population dependent on agriculture, only 10 per cent are peasant proprietors, the rest being landlords or agricultural labourers.

Studies made by the United Nations Food and Agriculture Organization indicate that the use of improved simple implements would increase crop yields and save labour; for example, a person with a scythe (not used at present) could cut two to five times as large an area as a person with the Afghan sickle. The use of pulling hoes would facilitate weeding. One of the reasons discouraging the use of farm tools is the high import duty of 35 per cent on the c.i.f. price.

Wheat is sown on 1.5 million hectares, about half the total cultivated area, yielding about 1.7 to 2 million tons per year. Yields per hectare are rather low partly because of the use of inferior seeds; seeds sold in the bazaar, for instance, usually contain 12 to 15 per cent of extraneous matter. The government seed station is experimenting with about 46 strains of wheat to obtain improved yields.

Production of *raw cotton* was 20,000 tons before the war. After the war it was irregular at first but rose to 24,000 tons in 1952/53 and 26,000 tons in 1953/54. Cotton-lint production rose from 10,000 tons before the war to 13,000 tons in 1953/54. The increase in output was mainly due to government demonstrations of row planting of cotton on ridges and proper hoeing which can increase yields by three or four times. With the assistance of the Food and Agriculture Organization about 30 per cent of the farmers are now using these new cultivation methods. The government has also established a cotton classing and grading school.

Production of *raw silk* is on the increase since the successful introduction by FAO sericulturists of improved strains of silk worms from Japan. Egg production centres have been established at Baghlan and Kabul and a new centre in Herat will be functioning in 1955.

The Baghlan sugar factory is still working below capacity because of the difficulties in growing *sugar beet*. The government took steps to introduce better cultivation practices such as seed-bed preparation, better planting and irrigation, and crop rotation, and it is expected that in 1953/54 output of sugar beet will exceed the record 1951/52 figure of 34,000 tons.

The *livestock* population in Afghanistan is estimated to include 12 to 14 million sheep, 6 to 8 million goats, 2.5 million cattle, 0.5 million camels, and 42 million poultry.

In 1952/53 a karakul cooperative association was formed in order to accumulate stocks of hay during good years; to supply supplementary winter fodder; to import bulk supplies of medicines for the central sheep diseases; to assist flockowners to acquire selected good rams; and to supply short term credit facilities to flockowners. The Government also made surveys of water facilities to improve grazing practices; it has started research work in fodder production and range improvement and encouraged better packing of skins, and is trying to control sheep diseases. A breeding station to improve quality of pelts is needed.

The government, with the help of the Food and Agriculture Organization, has begun to tackle the problem of rinderpest among cattle. The veterinary services require much strengthening.

Fruits and nuts constitute 36 per cent of the total value of agricultural products exported. Its importance as a source of livelihood, however, could be increased if better grading, packing and transportation facilities were available to promote larger exports.

Grapes and sweet apricots are dried in the Kandahar region. Drying practice also need to be improved to provide a cleaner and more attractive product.

Industry and mining

Industrial production increased in post-war years through both government and private investment, while mineral output lagged behind. Industrialization so far achieved is still limited, with a total industrial labour force of about 10,000. The major bottlenecks have been shortages of power, transport facilities and trained personnel. Current investment to expand hydro-electric capacity may relieve the power shortage but the road programme is hardly adequate. Labour absenteeism and labour turnover continue to be high[1] but have been reduced in the Sarobie hydro-electric project through proper health and housing facilities and larger wage incentives for those working more than a year.

The government's industrial policy is to encourage private investment in light industries; even in utilities it allows private participation; for example, in the Sarobie hydro-electric project, the share of the private sector is 49 per cent. It exempts infant industries from all taxes in the first three years of operation and charges a lower rate than usual in later years. It levies no duty on imports of machinery and is prepared to impose high protective tariffs on consumer goods if necessary and also to grant interest-free loans. Private investors, besides obtaining natural protection from the high cost of transport, have been assisted by the multiple exchange rate system.[2]

To encourage the inflow of foreign capital, the government in 1954 passed a foreign investment law by which foreign investors would be allowed to transfer capital, interest and profits to the country of origin at the official rate of exchange. Foreign employees of enterprises subject to these rules would be allowed to transfer 70 per cent of their salaries at the official rate of exchange. No discrimination would be made between foreign and domestic capital, but the government would prefer foreign investment in industry, mining, public works, agriculture and transportation rather than in trade.

At one time, *wood* was an important source of fuel for power, but indiscriminate use has depleted the forests. Large reserves of coal are available, but the quality of the deposits exploited until now is poor and it has to be used in the form of briquettes. The output of coal from the Ishpushta and Karkar mines in 1953/54 totalled 17,000 tons. A new State Coal Corporation has been organized in 1954 to increase production through mechanization and to improve workers' welfare. A new coal deposit of good quality at Darra-Yussuf with reserves estimated at fifty million tons has been surveyed and its exploitation should begin as soon as access roads are completed.

There are at least six potential *oil* basins. The Ministry of Mines, with the help of the Inland Exploration Company of America, carried out a survey of all potential petroleum regions. The government is very keen on developing a

1. In the Pul-i-Khumri textile factory about 15 per cent of the weaving looms have been idle because of shortage of manpower.
2. Since 1949, and until 1954 imports of capital goods were bought at the industrial rate of 21 to 23 Afghanis to the dollar, while the free market rate of 35 to 45 Afghanis per dollar was applied to imports of consumer goods.

petroleum industry but considerable risks of course are involved in such types of investment, which according to a United Nations oil expert[1] are made more difficult in Afghanistan because of "changing conditions of sedimentation" and "unconformities."[2]

The installed capacity for *electricity* is about 14,000 kW, producing about 38 to 45 million kWh per year. The hydro-electric projects planned and already under construction will increase installed capacity by 31,000 kW. The most important is the Sarobie hydro-electric project, which will have an installed capacity of 22,000 kW, of which 8,000 kW will be used by the new textile mill at Gulbahar, 4,000 kW by the trolley scheme at Kabul, and 10,000 kW for general public consumption at Kabul. The project, jointly financed by government and private enterprises, will cost $12.5 million. The work started three years ago will, after many delays, be completed in mid-1956 instead of end 1954.

The cotton textile industry so far consists of two mills, one at Jabal-us-Siraj and another at Pul-i-Khumri. The number of spindles of the Pul-i-Khumri factory was increased from 15,000 to 30,000 in 1952/53, and the 1953/54 output from these two factories was about 14 million metres of cloth and 1,400 tons of yarn for sale. In 1954, construction work was started on a new cotton textile mill at Gulbahar designed to have, in the initial stage, 45,000 spindles and 1,250 looms; output of this factory will be 37.5 million metres of cloth plus 1,400 tons of yarn to be sold to cottage-industry workers for producing 12 million metres of cloth. When this project is completed, in a few years' time, the output of cloth at about 75 million metres should meet more than 70 per cent of domestic needs. Later the Gulbahar factory is to expand to 60,000 spindles and 2,000 looms. *Woollen textiles* are made at Kandahar and at Kabul. The combined output of these two factories is about 210,000 to 250,000 metres a year.

The total *sugar* consumption of the country is about 15,000 tons per year, of which about 8,000 to 10,000 tons are imported at a cost of about $1 million. Because of shortage of beetroot, the Baghlan Sugar Factory, with a capacity of over 8,000 tons per year, is producing less than 5,000 tons, though another sugar factory at Jelalabad has recently been established with a productive capacity of 1,200 tons per year.[3]

There are other factories producing matches, cotton seed oil, soap, processed leather, shoes and several minor plants and workshops.

TRADE AND PAYMENTS

Afghanistan's exports consist of agricultural commodities of which Karakul skins, cotton and wool account for 50-55 per cent of the total value of exports. Imports are chiefly consumer goods, the most important being textiles. In recent years, capital goods imports have increased to about 20 to 30 per cent of total value of imports.

According to recorded trade returns (see table 21) Afghanistan had a favourable balance of trade for post-war years except 1949/50. It is estimated that unrecorded trade amounts to about a third, the larger portion being in imports. The net increase in foreign reserves of the Bank of Afghanistan, the central bank of the country, was generally smaller than the trade surpluses; in 1951/52 and in 1952/53, the foreign reserves fell, in spite of trade surpluses. Payment for invisibles accounts for only a small fraction of the difference. The major reason was the multiple exchange rate system, which encouraged private traders to obtain foreign exchange for capital imports from the central bank. Private export proceeds from certain products, though normally sold in the free market, are used by the purchasers for smuggled goods as well as legitimate imports (exclusive of capital imports).[4]

Afghanistan experienced an export boom in Karakul skins during and after the war, with prices ranging from $12 to $15 per piece. The exports of Karakul skins increased from about 2 million to over 3 million pieces per year. From 1948, the price of Karakul skins began to fall owing to better supplies and competition from the USSR and South-West Africa. The price in 1950/51 averaged only $7.6 per skin. In the following year, there was a slight recovery, but later prices resumed their fall and in 1954, they averaged only $6.53

1. Report on the oil possibilities of north Afghanistan (ST/TAA/SER.A/R4, 11 January 1951).
2. Other minerals have been exploited but to a very small extent, for example, chrome mines in Kabul Province, beryllium in the Eastern Province, talc in the southern provinces of Shinwar, and many salt mines. In 1953/54, the four major mines produced together 20,000 tons of salt.
3. Sugar factory waste material, previously thrown away, is now being used, mainly for cattle-feed.
4. According to the Foreign Exchange Control Law of January 1951, however, all traders exporting goods ought to import goods themselves against such exports, or sell the currency to another importer who guarantees to the Bank of Afghanistan that he will bring in imports.

TABLE 21

AFGHANISTAN: TRADE AND FOREIGN RESERVES

Million afghanis

Fiscal year	Exports	Imports	Trade balance	Change in net foreign reserves of the Bank of Afghanistan	Net foreign reserves of the Bank of Afghanistan	Net foreign reserves as per cent of imports
1945/46	489	216	+273	+272	824	381
1946/47	386	345	+ 41	− 52	772	224
1947/48	484	277	+207	−155	617	223
1948/49	423	394	+ 29	+ 24	641	163
1949/50	438	515	− 77	+ 54	695	135
1950/51	739	533	+206	+126	821	154
1951/52	744	645	+100	−132	689	107
1952/53	1,033	703	+330	− 65	624	89

Source: Ministry of National Economy and Bank of Afghanistan.

per skin. The number of skins exported has also fallen in recent years to a little over 1 million skins, because of loss of flock due to bad winters, sheep pests and diseases, and reduction in killings of lambs for skins because of lower prices. To counteract the reduction in killings of lambs the Government induced the Karakul pelt buyers to increase prices paid to producers for all grades. It is estimated that the production for 1954/55 amounted to 2,100,000 of which 1,200,000 have been exported. Fortunately, exports of cotton and other products such as fruits and nuts expanded and offset to some extent the decline in export earnings from Karakul skins; cotton exports by 1952/53 reached 10,000 tons valued at about $8–9 million, as compared with negligible quantities in the early post-war years.[1] The price of cotton in 1953/54, however, was only about one-third that in 1950/51.

Afghanistan has concluded trade agreements with the USSR, Czechoslovakia, India, Germany, etc. The basic agreement with the USSR was signed in July 1950 and a supplementary protocol in November 1952; the supplementary agreement provided for an increase of 3,000 tons of sugar exports from the USSR in exchange for 4,000 tons of cotton from Afghanistan. In December 1953, another protocol was signed with the USSR providing for a 30 per cent increase in the value of trade.

Multiple exchange rate system

Exchange controls were introduced in 1948 to restrict imports of non-essentials because of the decline in export earnings from Karakul skins and the disruption of trade with India resulting from partition. In March 1949, the official rate of exchange was devalued from a selling rate of 13.40 to 14.17 afghanis per dollar; it was further devalued in September 1949 to 17.01 afghanis. In March 1949, an additional exchange rate, namely the industrial rate of 17.72 afghanis to the dollar, was introduced but devalued in September 1949 to 21.26, in September 1951 to 23.00 and in 1954 to 30.37 afghanis to the dollar. In addition, a free market rate was allowed to operate.

Among imports the official rate is used for government imports, and for the import of motor vehicles, petrol, sugar and, partly, of cigarettes. Between 1949 and 1953, exporters of Karakul skins had to surrender 20 per cent of their foreign exchange earnings at the official rate and 70 per cent at the industrial rate, while the remaining 10 per cent could be sold in the free market. Exporters of other commodities could sell their foreign exchange at the free rate to those needing it for imports of commodities (mainly consumer goods) not governed by either the official rate or the industrial rate. As from 1954, exporters of Karakul skins, cotton and wool have to surrender all their foreign exchange earnings at new rates of 21.57 afghanis per dollar for Karakul and 26.40 afghanis per dollar for cotton and wool. As a result, the government now controls 50–55 per cent of the export earnings officially recorded.

The foreign exchange needs of private enterprises for imports of capital goods are met by the government at the industrial rate. Since it buys this exchange at lower rates it makes a profit.[2] But the importers of capital goods obtain the exchange at a rate much cheaper than the market rate which applies to consumer goods. The system has therefore encouraged investment.

Partly as a result of inflationary pressures during 1950/52 and partly because of tightening of exchange control in 1954, the free market rate of the afghani has depreciated from about 30 to the dollar in 1950 to about 45 in 1954.

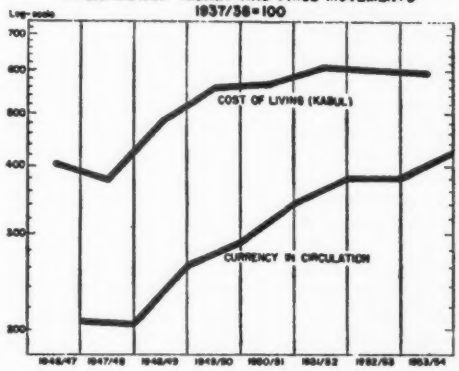
PRICES, MONEY AND PUBLIC FINANCE

Price movements

Prices, and to a lesser extent wages, differ widely between different parts of the country because of transport difficulties. War-time scarcities, especially of consumer imports, drought in some years, and ineffective rationing increased the prices of basic commodities to about four times the pre-war prices by 1946/47. Wages however increased by only three times and there was a fall in the standard of living. The counterpart to this, however, was the war-time increase in foreign reserves, which enabled the government to finance part of the development programme in the early post-war years.

Chart 19

AFGHANISTAN: MONEY AND PRICE MOVEMENTS
1937/38=100



A comparison of changes between early post-war and pre-war years indicates that the rise in cost of living was much more than the increases in currency in circulation. This suggests that idle hoards of currency were re-activated during the war-time inflation and thereafter, and that the effective velocity of circulation of money supply had increased.

Between 1947/48 and 1949/50 increases in currency in circulation were accompanied by corresponding increases in the cost of living. The inflation generated in these early post-war years was partly due to the relatively large government investment programme. Since 1950/51, however, although currency in circulation continues to expand the cost of living has more or less been stabilized through increases in output and imports—tobacco, sugar, cars, trucks, petrol and lubricants at preferential rates of exchanges—and also probably smuggled goods. Furthermore, part of the accelerated government investment programme was financed by loans from the United States Export-Import Bank and the $5 million loan from Czechoslovakia in 1954 for the cement project. The budget deficit has therefore been only slightly inflationary in relation to the national income; for example, in 1953/54 the inflationary content of the government deficit[4] was only Afg 67 million, as compared with the national income of Afg 12,500 million and a currency in circulation of about Afg 1,100 million.

1. Cotton exports to the USSR increased from 2,100 tons in 1950/51 to 7,700 tons in 1952/53.
2. The government could make a larger profit by selling the exchange at the market rate. It has not done this, because extra exchange is not available after the needs of the government and of industrial imports have been met.
3. The government has attempted with very little success to float bonds as an anti-inflationary measure. Physical controls are not used except for petrol rationing in and around Kabul.
4. Defined for Afghanistan as the net borrowing from the central bank less the increase of domestic cash balances.

Monetary developments

Afghanistan has hardly developed a banking system, and currency in circulation constitutes between 80 and 85 per cent of total money supply. The Banke Millie Afghan Kabul, a commercial and industrial bank, was established in 1932, while the Bank of Afghanistan, the central bank, was established in 1938. Supply of credit to small entrepreneurs especially in agriculture is not well organised and interest rates in rural areas are about 30 to 40 per cent per annum. To solve this problem, the government in 1953/54 established the State Agricultural Bank with a capital of Afg 150 million to supply cheap credit. In the same year, it also established the State Commercial Bank, with a capital of Afg 120 million, and a Construction and Loan Bank with a capital of Afg 60 million, the latter to finance residential housing projects.

Finance for the larger enterprises has been more satisfactory. Banke Millie Afghan Kabul has provided finance, advice and technical help for many industries. Its investments increased from Afg 324 million in 1948/49 to Afg 464 million in 1952/53. The Bank of Afghanistan has co-operated with private investors on behalf of the government. Its investments in industries[1] increased from Afg 31 million in 1949/50 to Afg 172 million in 1953/54 (see table 20). Though a central bank, it grants loans to private enterprises; the amount outstanding in 1952/53 was Afg 158 million as compared with Afg 609 million to the government. Many large businesses have ploughed back their profits for further investment. For example, the Textile Company, founded in 1935, had by 1948 accumulated reserves equal to its original capital by limiting dividends to about 5 per cent of the paid-up capital, although it was earning about 15 per cent.

Changes in deposit money have been rather erratic, while currency in circulation continued to expand at a rate of 10 to 12 per cent per annum except in 1952/53. (See table 21). The major factors causing the increases in currency in circulation have been the budget deficit and the export surplus on trade account.

1. Its holdings of shares include Afg 124 million in the Electric Company of Saroble and Afg 31 million in the Textile Company, besides investments in cement, handicraft and construction companies.

Public finance

The importance of the government sector increased after the war, but in 1953/54 government revenue was only 5.6 per cent of gross national income. Budget deficits have occurred in post-war years with both revenue and expenditure increasing rapidly.

The most important source of government revenue is customs duty, contributing 35 to 40 per cent of total revenue. Income tax falls mainly on income from foreign trade and if this be added to the customs duty, the foreign trade sector provides over half the revenue. In 1954/55, however, it is expected that customs duty will fall by Afg 20 million as compared with 1953/54 because of an expected reduction in the value of exports and a shift in imports to developmental goods on which no import duties are paid. Taxes on agriculture (land and livestock tax), excise taxes and revenue from government enterprises each yield about another 10 to 12 per cent of total revenue. Part of the increases in revenue especially from income tax and excise have been the result of tightening up of tax-collecting machinery.

Government expenditure was 6.7 per cent of gross national expenditure, the most important item being public works, irrigation and agriculture which accounted for 35 to 45 per cent of total government expenditure. In 1954/55, expenditure on this item is expected to reach Afg 507 million or more than double the amount spent the previous year; it would constitute 44 per cent of total expenditure. Expenditure on national defence, though increasing in absolute amount, has declined in importance from 22 per cent of total government expenditure in 1949/50 to 18 per cent in 1954/55.

Not all the budget deficits are inflationary, since expenditures include those financed by borrowing from the United States Export-Import Bank in foreign exchange. It may be said that the inflationary content of the government deficit is only the net borrowing from the central bank, less the increase in cash balances;[2] net borrowing from the central bank has not been large but in 1954/55 the government expects to borrow Afg 200 million or half the deficit.

2. The government's small domestic cash balance has not been utilised.

TABLE 22

AFGHANISTAN: GOVERNMENT FINANCE

Million afghanis

Fiscal year[a]	Revenue	Expenditure	Surplus (+) or deficit (−)	Methods of financing[b]			Use of cash balance[c]
				Net borrowing from the Bank of Afghanistan	Borrowing from Export-Import Bank	Borrowing from public	
1948/49	319	400	− 81	+ 74	+ 0	+ 0	+ 7
1949/50	387	462	− 74	+ 81	+ 0	+ 0	− 7
1950/51	473	670	−196	+109	+ 89	+ 0	− 2
1951/52	549	713	−165	+ 41	+125	+ 0	− 2
1952/53	614	830	−216	+ 86	+153	+ 0	− 22
1953/54	698	838	−141	+ 90	+ 74	+ 0	− 23
1954/55	744	1,141	−397	+200	+197	+ 3	..

Source: Ministry of National Economy and Ministry of Finance, Government of Afghanistan.

a. Figures are actuals, except for 1954/55 which are estimates.

b. Plus signs indicate increase of borrowing.

c. Plus signs indicate fall and minus signs indicate rise of cash balance.

CONCLUSION

The government of Afghanistan is facing up to the extent possible the immense difficulties which confront a country trying to develop its resources with inadequate power, transportation and trained personnel. Shortage of foreign exchange has been alleviated by loans, mainly from the United States Export-Import Bank but repayment of capital and interest which is to begin in 1956 may create further balance-of-payments difficulties. The government is conscious of the difficulties and of the positive role it can play in promoting economic development.

Greater efforts are required if the government is to have control over the country's export earnings. Most of the foreign reserves of the central bank have to be kept as a statutory minimum 50 per cent currency reserve, thus leaving the free foreign reserves as of March 1953 at only Afg 38 million. Further reforms in the currency system would free part of the existing foreign reserves for economic development; but against this must be weighed the likely repercussions on public confidence in the currency, and the minimum foreign reserves needed to cushion fluctuations in export earnings.

The developmental work accomplished during the last five years and the programme already outlined for the next few years to develop power and train technical personnel will provide a foundation for the future development of the country, but much larger investment is needed in transport.

Chapter 7. BURMA

Burma is comparatively well endowed with natural resources. Of Lower Burma's total area of 21 million hectares only 22 per cent was classified as cultivated before the war with a further 21 per cent cultivable. Adequate and regular rainfall provides highly productive conditions for rice cultivation. Abundant forestry and mineral resources of the country may well repay fuller surveying and development. Good river systems are supplemented by inland waterways, and also provide sizeable hydro-electric potential.

There is no serious population pressure on Burma's natural resources. Its 1941 average population-density of 28 per square kilometre was one of the lowest among the ECAFE countries. The rate of population growth is estimated at 1.3 per cent per annum between 1931 and 1941 and now about 1 per cent. Administrative, mercantile and industrial experience is scarce, most of the responsible posts having been in the hands of foreigners until after the war.

Nearly ten years of war and internal disorder have reduced Burma's output by serious destruction of capital. After the war grose domestic product was under 70 per cent, and by 1953/54 it was only 84 per cent of the pre-war level. While the restoration of this level has remained a principal economic objective, one major source of economic strength has been abundance of food. Burma has always been able to produce not only enough foodgrains for itself but also a surplus for export which brought high prices in the post-war period.

The restoration of pre-war levels of production in existing lines is likely to be easier than the development of new lines of production especially in industry and mining. Increase of mineral and forestry production for export, and the establishment of secondary industries will, however, be needed to correct Burma's excessive dependence on one export commodity, especially now that rice is encountering a buyer's market.

Burma has adopted a broadly socialist economy, while permitting and assisting private enterprise where it can play a useful role. Consequently, State industrial, commercial and financial agencies, boards and corporations are important in the Burmese administrative structure. The programme of land nationalization and distribution is also in line with the socialist policy.

DEVELOPMENT PLANNING AND PROGRESS

Substantial progress was achieved in 1954 in both preparation and execution of projects of economic and social development planning. In August 1953, the government's engineering and economic consultants presented their comprehensive revised report for the economic development of Burma,[1] and at the end of the year the government took a number of decisions on it, endorsing many of its recommendations.

The Eight-Year Economic Development Programme aims at reaching by 1959/60 a gross domestic product of K 7,000 million at 1950/51 prices, by means of a net capital investment in the public and private sectors of K 7,500 million, of which about K 900 million had already been invested by the end of 1952/53.[2] If this programme were successfully implemented, per capita income would increase from K 201 in 1950/51 and K 210 in 1951/52 (at 1950/51 prices) to K 340 in 1959/60. This would represent an increase of 69 per cent in per capita output by 1959/60 over that of 1950/51, but only of 4 per cent over the per capita output of K 326 in 1938/39. Consumption per capita would rise by 54 per cent from K 146 in 1950/51 to K 224 in 1959/60. The gross domestic product would increase approximately from K 3,900 million in 1951/52 to K 7,000 million in 1959/60, an increase of 80 per cent.

The estimate of total investment which the government hopes will be undertaken by private enterprise alone is K 2,400 million or 32 per cent of the total, the government being responsible for the remainder either alone or in partnership with private enterprise. Foreign exchange expenditures are estimated at K 2,500 million or 33 per cent of the total investment.

To increase gross domestic product, primarily through restoring pre-war levels of production in agriculture, mining and forestry, investment in directly productive sectors must be supplemented by rehabilitating or creating basic transport and communication facilities and power capacity. The Plan target for crude petroleum output is only one third of pre-war production, while the target in others reaches pre-war levels as in railways, or exceeds them as in forestry, electric power, and crops like cotton and groundnut. To provide for increased productivity and further growth of the economy after 1959/60 investment in social capital will be required for education, health, housing, and technical training. The choice of industrial projects has been influenced mainly by the need to reduce the economy's extreme dependence on primary production but has had to take other factors into account, including adequacy of natural resources, markets, skilled labour and transport; evidence of economic soundness, and technical complementarity of projects. At the time the Plan was prepared no serious shortage of foreign exchange had been envisaged, and this factor hardly influenced proportions or priorities in the Plan.

1. *Comprehensive Report on Economic and Engineering Survey of Burma for Ministry of National Planning* (3 volumes), August 1953.

2. The development programme was originally scheduled to begin in October 1951, but the starting date was moved to October 1952 on account of inadequate preparation for implementation of the plan. However the original investment target of K 7,500 million was retained.

Though the government's planning consultants presented a development programme with aggregate planning targets for the whole economy, their detailed projects were limited by their terms of reference to specified sectors, as shown in table 23.

Basic transport will take 25 per cent and irrigation and power together over 20 per cent of the total programme. Agricultural output is also to be expanded by a substantial agricultural programme.

Investment in the planned sector is expected to reach peak rates during the period 1954/55 to 1956/57, and total investment is also expected to continue to increase. Annual targets should however be regarded as flexible and deviations between target and accomplishment may be large for any one year.[1] But over the whole period achieved expenditures may be expected to be much closer to the targets.

This throws into relief the government's major problem, the adjustment of the annual programmes for the different sectors to fit an integrated overall programme. These programmes include the detailed plans listed in table 23, covering only certain sectors; a five year agricultural plan, which an Agricultural Planning Commission is to implement; the Pydiawtha programme, community development, and social welfare programme supported by the United Nations technical assistance. The aggregative 1959/60 targets for gross domestic product, capital investment, per capita output and per capita consumption, and these sectoral plans, which have been drawn up independently, will need mutual readjustment, both initially and in year-by-year implementation.

1. For instance, the net domestic capital formation of K 640 million in 1953/54 compares favourably with the targeted total of K 655 million for the year. In power, however, the targeted outlay is K 85 million and K 119 million in 1953/54 and 1954/55, but the capital expenditures of the Electricity Supply Board are to be K 40 million and K 220 million respectively. Such deviations are noted in other sectors as well.

Capital formation

The plan involves an average annual rate of capital formation of one-sixth of the gross domestic product. At first, public capital formation is to be high; later the resulting increase in gross domestic product is to be used to develop private capital also.

As compared with several other ECAFE countries, Burma's ratio of capital formation to current output has been high. Table 24 shows the gross domestic capital formation in 1952/53 and 1953/54 at over 19 per cent, and in 1954/55 at nearly 25 per cent, of gross domestic product. The rates of formation of net domestic capital and fixed capital have also been high and rising during these years.

Four factors have contributed to Burma's high rate of capital formation, some of which may however not be fully operative in the years immediately ahead, unless the forest and mineral (including petroleum) resources of Burma are quickly developed and trade in these products is restored to the pre-war levels: its abundant natural resources and absence of serious population pressure, which leave a margin above subsistence needs for capital formation; the high output-yield of capital invested in primary production (Burma's chief source of increased wealth) and a resulting export surplus of primary products; favourable terms of trade; and finally a successful government rice-export monopoly stabilizing private incomes and consumption and using part of the proceeds for capital formation. The rate of gross capital formation even before the war was 12 per cent. Disturbed conditions in the early post-war years prevented this rate from being increased, but improvements since 1951 have made such an increase possible.

For twenty years up to 1941 Burma's exports exceeded its imports every year by at least 80 per cent; its annual surplus of foreign exchange was large enough to have financed the import of goods needed for a development programme.

TABLE 23

BURMA: ESTIMATED COST OF THE ECONOMIC DEVELOPMENT PROGRAMME, 1953–1959[a]

(million kyats)

	Estimated total cost	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	after 1960[b]
Total	6,600	655	830	950	1,015	1,030	1,050	1,070	—
Planned sectors:									
Power	964	85	119	146	142	99	100	82	191
Irrigation	452	21	48	62	67	62	55	50	87
Ports & waterways	568	58	85	90	93	81	48	38	75
Railways	273	31	67	66	56	32	20	—	—
Highways	820	33	71	88	100	104	99	99	226
Airways	85	20	21	21	21	2	—	—	—
Telecommunications	30	8	9	7	1	1	1	1	2
Mineral industry	115	34	45	31	6	—	—	—	—
Manufacturing	230	36	43	37	60	42	11	1	—
Total	3,535	325	509	548	544	423	334	271	581

Source: Comprehensive Report on Economic and Engineering Survey of Burma, Chapters III and XXV.

a. At 1950/51 prices.

b. Expenditures on projects covered by the Plan to be incurred after 1960.

TABLE 24

BURMA: RATE OF CAPITAL FORMATION, 1938. 1947–54

	Gross domestic product Mn. K	Gross domestic capital formation %	Net domestic capital formation %	Fixed capital formation %	Depreciation %
1938/39	1,458	12.2	6.7	10.1	5.6
1947/48	3,557	16.9	11.2	14.8	5.8
1948/49	3,234	8.0	1.7	8.7	6.3
1949/50	3,132	10.2	3.4	10.5	6.8
1950/51	3,690	12.9	6.7	11.7	6.2
1951/52	4,084	18.2	12.2	14.9	6.0
1952/53	4,520	19.2	13.6	14.5	5.6
1953/54[a]	4,670	19.5	13.7	18.7	5.8
1954/55[a]	5,300	24.5	18.5[b]	23.8	6.0[b]

Source: Economic Survey of Burma, 1954. Figures are at market prices.

a. The data for 1953/54 are provisional, and for 1954/55 estimates.

b. Estimated on the assumption that depreciation is 6 per cent of the gross domestic product.

Burma was, however, making substantial payments on service items. With the repatriation of foreigners and the decline in the amount and productivity of foreign investment these service payments have declined in the post-war years, leaving more of Burma's foreign exchange earnings for the import of developmental goods.

Institutional and personnel problems

As development expenditure increases the government will probably have to pay increasing attention to the machinery of planning, programming and review. At present the Economic and Social Board, mainly a ministerial body, is the top policy-making organ while the Ministry of National Planning is responsible for over-all economic planning. This ministry, however, can plan effectively only if other ministries and government agencies co-operate in carrying out the annual programmes which it draws up and the modifications which it has to introduce. It will be for the Economic and Social Board, in taking final decisions, to reconcile differences between this ministry and other government agencies.

The Ministry of National Planning has within itself an Economic Planning Commission and a Social Planning Commission. It would seem, however, that measures to improve their working would contribute both to better planning and to implementation, especially during the period of heavy expenditure from 1954 to 1957. Granted sufficient inter-ministerial and inter-agency co-operation, the nucleus of specialists and technicians at the Ministry of National Planning could become a focal point, for which the Economic and Social Board could draw on the technical knowledge and experience of the staff of every agency of the government.

In order to supplement the Eight-Year Development Plan with its natural bias towards basic and industrial development, improve upon the Five-Year Agricultural Self-sufficiency Scheme, and integrate the agricultural, forest and irrigation plans, the government has recently set up a Land and Agricultural Planning Commission. The Commission's terms of reference are to produce within a period of two years a Comprehensive Land and Agricultural Plan for Burma. The Commission is headed by the Financial Commissioner (Land) and its expert staff is to be drawn from the various governmental agencies concerned as well as from abroad.

Shortage of technical and administrative manpower is, however, becoming serious as projects come to be implemented. The Agricultural and Rural Development Corporation, the Industrial Development Corporation, and the Mineral Resources Development Corporation, set up in 1952 to administer three development programmes, are all short of staff; so are several other government boards administering, for example, housing, power, railways, and specified industries; and also the industries, factories and projects which they control. This may well prove a limiting factor to rapid economic development.

Nevertheless, a number of new institutions have been established or proposed, including: the State Commercial Bank, set up in August 1954 with an authorized capital of K 50 million (to which the government has already contributed K 10 million) for providing short and medium-term credit; the Union of Burma Co-operative Bank, which will start work next year, extending credit to co-operatives; a Commerce Development Corporation to help Burmese nationals secure a larger share of internal and external trade; and a tariff board, to determine the nature and extent of protection to national industries. The State Agricultural Bank, opened in June 1953, also expanded in 1954 through the agency of village banks.

Foreign firms awarded engineering and construction contracts will sometimes have to run the factories and undertake to train Burmese nationals over a period. National and international assistance programmes are giving technical and engineering training to more Burmese nationals; and local technical institutions are being expanded. These, however, cannot entirely overcome the immediate shortage.

Reference may be made in this context to the contracts for joint enterprises concluded by the Government with foreign firms in certain lines of production. In 1952 a contract with a foreign firm was entered into to work the lead and zinc mines; another for deep-sea fishing; and in 1953 for production of mineral oil, and a tea factory. The government's policy is to encourage foreign capital participation by such joint ventures.

An encouraging development is the people's enthusiasm for the Pyidawtha projects, which are projects carried out by local voluntary effort with government assistance. During 1952/53 the people's voluntary contributions in cash, labour and materials were K 7.6 million and government grants

K 8.8 million. In all, 184 townships completed nearly 9,000 separate projects, including schools (nearly one third of the expenditure), roads and bridges, wells, libraries and minor irrigation and drainage works. Cash formed about half of the voluntary contributions, labour more than a third and materials the remainder. During the first six months of 1953/54 67 townships had spent K 3.8 million on such projects: not indeed a large sum in relation to the total development outlay, but of fundamental importance nevertheless to the economic development programme. For the village Pyidawtha committees are local democratic development agencies sharing the main responsibility for actually organizing and executing these works.

New land-nationalization legislation, enacted in 1953, was suitably amended in 1954 to facilitate equitable distribution of nationalized land holdings. The new law provides for land committees of 7 members elected by the people of the district, with cultivators participating directly in decisions on the distribution and size of land holdings. District land committees of 8 members are appointed by the government to supervise the working of the land committees. By the end of June 1954 about 275 land committees had been formed in villages and two-thirds were functioning actively. In addition, village mutual-aid teams and co-operative farming arrangements were being encouraged. These institutional experiments will be watched with interest.

PRODUCTION AND TRANSPORT

Gross domestic product

Gross domestic product in 1953/54 is estimated at K 4,670 million at current prices, or 3 per cent above that of 1952/53 but substantially below the 1953/54 target of K 5,200 million and still only 84 per cent of the pre-war level. Output fell short of expectations in agriculture (owing to poor weather), mining, forestry and other sectors; rice exports were below estimates in both price and quantity; but "other industries" (mainly construction) improved substantially over 1952/53. It is estimated that the 1954/55 gross domestic product will be K 5,300 million, that is 13 per cent higher than in 1953/54, representing an increase in agriculture, forestry, mining and other industries resulting from higher productivity and new investment. The increase in agriculture will be achieved, but it is doubtful in other sectors.

The 1953/54 target for gross domestic capital formation was K 1,075 million, and estimated achievement is K 910 million, of which K 875 million is fixed capital; the public sector contributed K 450 million and the private sector K 460 million. During 1952/53 gross public capital formation was K 450 million, but over K 200 million of this was an addition to government rice stocks. The current year therefore represents more progress in fixed capital formation.

The 1954/55 target for gross domestic capital formation is K 1,300 million with K 790 million in the public sector and K 510 million in the private sector. All but K 30 million in the public sector and K 10 million in the private sector will be fixed capital which will thus be nearly 95 per cent of the total, a further substantial increase in fixed capital formation.

Agriculture and forestry

Owing to adverse weather, the paddy crop is estimated at 5,527,000 tons in 1953/54, compared with 5,740,000 tons in 1952/53. The sesame crop at 43,700 tons and cotton at 22,000 tons are also 19 and 9 per cent lower respectively. The production of other crops, such as maize, millet, sugar cane and onion, showed increases over 1952/53 and that of groundnuts, which increased by 8 per cent to 191,000 tons, surpassed its pre-war level. The number of plough cattle continued to increase and is now estimated at 93 per cent of the pre-war level, indicating a satisfactory position in relation to the sown acreage which is 87 per cent of the pre-war figure.

The principal elements in the development of agriculture were dairy farming, cattle farming, the granting of acreage subsidies for jute, groundnuts and tobacco, and improved seed distribution. Paddy acreage subsidies were discontinued because of administrative difficulties. Irrigation projects were carried a stage further by the purchase abroad of K 18 million worth of equipment, but actual construction is held up by the lack of technical personnel and the need for further preparation.

Though production of teak and other hard woods declined in 1953/54 a substantial improvement is expected in 1954/55 as a result of increased security and accessibility of forest areas, added extracting capacity and a 20 per cent increase in elephant power. It is hoped to double the exports of teak in 1954/55.

The government has now adopted a major programme of integrated and partly mechanized forest industries, including both extraction and processing. It has acquired the Bombay Burma Company's saw-mill and hopes to complete its own new saw-mill by December 1954.

Mining and industry.

There were improvements in production of petroleum and zinc in 1953 but other minerals remain at a fraction of pre-war levels. With the opening of a new refinery at Chauk with a rated daily input capacity of 100,000 gallons petroleum output has increased from 37.5 million gallons for the whole of 1953 to an annual rate of 46 million gallons in the first half of 1954. Production of motor spirit and kerosene is also increasing and it is expected that some 3,000 tons of paraffin wax will be available for export in 1954.

With the re-opening of the Bawdwin mine, production of zinc concentrates is now about 4,000 tons; and the Mawchi mine, just re-opened, will make possible a production of 5,000 to 6,000 tons of mixed tin and wolfram in 1954. The 1953 figures indicate that there was an increase in the output of building and road materials. The production of other minerals continues to be unsatisfactory. The Mineral Resources Development Corporation is exploring new resources, including the Kalewa coal deposits. Recovery in mining output will, however, continue to be slow.

Production in the existing cotton spinning, cement, sugar and salt industries increased, and substantial progress was made in the establishment of new industries and in the expansion of the capacity of existing ones during the year. The Industrial Development Corporation is making loans to private industrial enterprises, the budget appropriation in 1953/54 for this purpose being K 5 million.

Production of yarn in the government cotton mill in the first half of 1954 was 1.6 million lb as against 2.4 million lb during the whole of 1953. A higher rate of output has been maintained since the middle of 1953 and output for 1954 will be about 4 million lb. The Burma Cement Co., Ltd.

the only cement producer in Burma, was nationalized in August 1954. In 1952/53 it produced about 45,000 tons as against 36,000 tons in 1951/52. It was closed down from July to October 1953 for repair and overhaul. From November 1953 to April 1954, production was running at an annual rate of 58,000 tons, i.e., 90 per cent of the rated capacity. Sugar production continued to expand from 13,700 tons in 1952 to over 20,000 tons in 1953. Production in the first half of 1954 was about 19,000 tons. Output of brine salt increased substantially from 54,000 tons in 1952 and 61,000 tons in 1953 to 54,000 tons in the first half of 1954.

Plans for expansion of existing industries include the following: two sugar factories, one at Namti with a capacity of 15,000 long tons and 360,000 gallons of alcohol and another at Pyinmana with a capacity of 22,500 long tons and 500,000 gallons of alcohol; a new cement factory at Rangoon to produce 120,000 long tons; a new cotton-spinning factory at Myingyan with 200,000 spindles and expansion of the existing factory.

Contracts have been awarded for the following new industries with the stated annual capacity: steel (20,000 long tons), jute (24 million bags), clay tiles (6 million tiles and 8 million bricks) and pharmaceuticals. Construction will begin in 1954 and be completed by 1956. Contracts for a rice-bran oil plant (annual capacity of 3,000 long tons) and a silk throwing plant (575 lb per day) are under preparation.

Another major project is the development of an industrial tract on the Hlaing River for industrial sites, providing deep water for navigation, highway and railway facilities and housing for workers. It is proposed to create a pool of equipment to be available to contractors for various projects. This will include a maintenance and repair shop together with spare parts.

Progress has been reported also in the field of cottage and small-scale industries under the charge of the Cottage and Small-Scale Industry Board. Pilot plants for sugar manufacture, pottery and condensed milk have been completed; machinery for the textile factory has been imported and work on hand paper making, textile plant, lacquer ware and dry cells is proceeding satisfactorily.

Transport and power

The progress in the implementation of transport projects has in some measure contributed to maintaining higher levels of production and trade. On railways, considerable work has been done in repair and rehabilitation, apart from additions to rolling stock. In 1953/54, capital outlay on railways was increased to K 64 million from the budget allocation of K 53 million. The development of inland water transport involves a substantial increase in the flotilla, and expansion of dockyard facilities. In 1953/54 and 1954/55, two passenger cargo vessels for the coastal trade and two cargo vessels for the Indo-Burma trade will become available.

Repair of war-damaged minor ports is nearly finished; but incomplete technical preparations still hold up the improvement of the Port of Rangoon, which handles about 85 per cent of Burma's foreign trade. The road programme, which provides for a change in road designs and practice, and the institution of a system of road construction by local authorities, have not yet been started; preparatory work is proceeding on telecommunications, including telephones.

An ambitious power-development programme aims at rural electrification through a national grid system and the establishment of numerous hydro-electric power stations. The outlay is estimated at K 39 million in 1953/54 and nearly six times larger in 1954/55. Actual outlay by the Electricity Supply Board up to the end of March 1954 was negligible. A few hydro-electric projects are being examined, but no progress in construction has been reported.

TRADE AND PAYMENTS

Decline in reserves

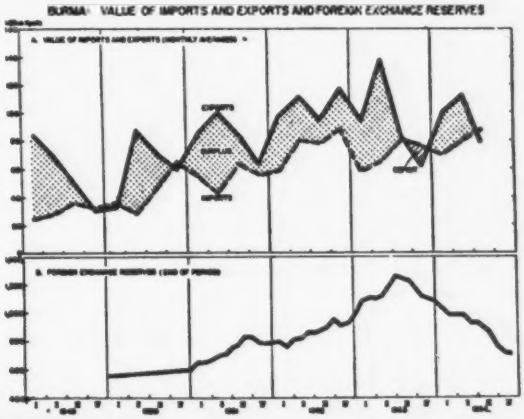
Falling prices and a buyer's market in rice[1] still dominate Burma's foreign exchange earnings; and the reserves, after reaching the peak of K 1,269 million in June 1953, have continued to decline until late 1954, standing at K 856 million at the end of August, or one third lower than in June 1953. By contrast, from 1949 to the end of 1952 they had continually increased. The *Economic Survey of Burma* anticipated foreign exchange expenditures of K 1,360 million and receipts of K 1,235 million (a deficit of K 125 million) in 1953/54 and foreign exchange reserves at the end of September 1954 of K 1,050 million. The August figures, however, show a sharper decline, though larger rice exports may improve exchange earnings in late 1954 and early 1955.

Increased foreign exchange expenditures, rather than reduced earnings, have been mainly responsible for this decline in reserves. Foreign exchange receipts totalled K 1,300 million for 1953, exceeding the 1952 total of K 1,240 million. In the first half of 1954 they were K 605 million, as compared with K 500 million in the previous half-year and K 800 million in the first half of 1953. If rice exports in 1954 reach about 1.4 million tons or more, total foreign exchange earnings in 1954 may exceed those in 1953.

Foreign exchange expenditures on the other hand rose continuously from K 840 million in 1951 to K 970 million in 1952 and to K 1,200 million in 1953. In the first half of 1953 they were K 510 million, rising to K 700 million in the second half and K 736 million in the first half of 1954.

Burma paid nearly K 84 million during 1954 on two large non-trade items, a debt settlement of £4 million to the United Kingdom Government and a payment of £2.5 million for its share in the Joint Oil Venture; and in addition agreed to offset £14 per ton out of the price of £48 in the Indian rice contract against its debt to India. Payments on private non-trade items fell from some K 120 million in 1952 and 1953 to an annual rate of K 80 million in the first half of 1954.

Chart 20



1. Rice price under government-to-government contracts was reduced from $168 per ton in 1953 to $140 in 1954.

Exports

The exportable surplus of 1.5 million tons from the 1953/54 rice crop and substantial stocks carried forward from 1952/53 give an export availability of 2.3 to 2.5 million tons in 1954 against which Burma has contracted to deliver 900,000 tons to India, 300,000 tons to Japan, 200,000 tons to Ceylon, 40,000 tons each to the Ryukyus, Mauritius, and Indonesia and 80,000 tons to other destinations, totalling 1.6 million tons. Rice shipments up to 31 August 1954 were approximately 1 million tons. Shipments to India up to the end of September were slightly more than one-third of the contracted quantity of 900,000 tons, and efforts were being increased to send as large a proportion as possible during the year. To other countries shipments were either completed or likely to be completed within 1954.

The 1954/55 rice crop is expected to be at least as good as that of 1953/54, giving Burma an export availability of 1.5 million tons early in 1955. Prospects for 1955 depend mainly on rice prices, and quantity sold, particularly to India. Elsewhere some stability of rice export markets and foreign exchange earnings has been secured by the four-year rice contracts concluded with Japan, Ceylon, the Ryukyus and Mauritius and a three-year contract with Indonesia. Japan has agreed to take and Burma to supply, a minimum of 200,000 tons and a maximum of 300,000 tons each year through 1957 at K 666.7 per ton, subject to annual adjustment of price to world price changes. Ceylon will buy a minimum of 200,000 tons and a maximum of 600,000 tons per annum at prices falling £2 per ton each year until 1957. Mauritius and the Ryukyus will each buy 40,000 tons per annum, the Ryukyus providing Burma with a dollar income of over $5 million.

Under its trade agreement, Burma has contracted to sell 150,000 tons of rice in 1955 to mainland China, 60 per cent of the value of which will be paid for in goods including machine tools and coal, 20 per cent in goods from eastern Europe shipped through mainland China, and the balance in sterling. The Prime Minister of Burma has stated that mainland China may become an even larger buyer of Burmese rice, and that the Government of Burma will be sending missions to several countries including the USSR, Japan, India and Malaya for promoting the sale of rice.

Because of slow recovery in production, other exports, such as metals and ores, timber, etc., are not expected to bring in more foreign exchange this year than last: in all, less than K 300 million.

Imports

Import value remained high in 1954; private imports (about 75 per cent of total value) increased from an annual rate of K 665 million in 1952 to K 750 million in 1953, maintaining the latter rate during the half-year January to June 1954.

A new Tariff Act effective 1 October 1953 brought about an important change in Burma's commercial policy by introducing a single schedule of duties uniformly applicable to imports from all sources and abolishing discriminatory tariffs, including the Indo-Burma Trade Agreemen of 1941 and the Ottawa Trade Agreement of 1932, which gave preferential tariff treatment to Indian and Commonwealth goods. In giving effect to a uniform tariff structure, some non-preferential duties were reduced and some preferential duties increased. The new rates are designed to afford some protection to infant industries and to allow essential imports at reasonable rates. This measure has already begun to influence the pattern of import trade of Burma. As a result non-Commonwealth producers, notably from Japan and continental Europe, will in future have a more competitive position in the Burmese market.

There was no significant change in import control policy during the year. Non-dollar imports have increasingly been put on the open general licence since 1950.

Imports on government account have steadily increased from K 120 million in 1951/52 to K 203 million in 1953 and K 288 million in 1954 (estimated) owing to the purchase of equipment and machinery abroad.

Foreign exchange prospects have a crucial bearing on economic development in so far as the government is embarking on larger developmental outlays and may incur sizeable import surpluses, to offset the inflationary effects of domestic deficit financing.[1] The price and volume of rice exports will be the major factor in exchange earnings, but account must also be taken of a possible reduction of imports through the expansion of domestic production of petroleum products, cement, sugar, jute bags, cotton yarn and steel products as the projects are completed and greater self-sufficiency is achieved. These gains, however, are unlikely to accrue before late 1956 or even 1957.

Favourable factors to take into account are reparations from Japan, and possibly expanded aid from the Colombo Plan and international loans. Reparation payments of $25 million annually by Japan, $20 million in goods and services and $5 million in joint investments, should provide about K 120 million per annum—a substantial relief to the payments position. The United States ECA aid to Burma started in 1951 totalled about K 850 million when it ended by mutual agreement in 1953. The government may manage in 1954/55 to finance the probable import surplus without seriously dipping into the foreign exchange reserves. This, however, does not mean that Burma's foreign exchange position will be entirely comfortable or free from anxiety in the coming years.[2]

PUBLIC FINANCE

A significant feature of the public finances of Burma has been a tendency towards an over-estimating of expenditures and an under-estimating of revenues. The government has planned continuously rising levels of capital expenditure on economic development, but actual expenditures have fallen short of the targets owing to inadequate preparation and technical and other bottlenecks. The result has generally been smaller budgetary deficits than planned.

The provisional figures for 1952/53 disclose a deficit of K 64 million as against an estimated deficit of over K 200 million. For 1953/54 the revised estimate discloses a deficit of K 287 million as against the budget estimate of K 384 million. Governmental expenditures in the first six months

1. See *infra*, section on 'Money supply and prices', p.71.
2. The Plan makes two estimates, one 'intermediate' and the other 'low', of the volume of rice export and the export price per ton. It assumes that the 'low' price of rice per ton would be K 800 in 1953/54, K 773 in 1954/55 and K667 in 1958/59/60. The conditions of the rice export market have already proved this to be on the optimistic side. The price per ton under Burma's contracts with Japan, Ceylon and the Ryukyus in 1954 is already K 667 per ton only and is scheduled to be K 640 in 1955, K 613 in 1956 and K 587 in 1957.

of 1953/54 were appreciably lower than the budgeted amounts. However, the shortfall in expenditure for the whole year is expected to be less than in 1952/53.

Revenue

Of total revenue, the contributions from the State-managed boards, particularly the State Agricultural Marketing Board (SAMB), have accounted for something like 45 to 50 per cent. Tax yields have been somewhat larger under improved economic and trading conditions, but tax structure and policy have undergone no significant change.

For the year 1953/54, the revised estimate discloses a substantial increase in revenues over the budget estimates, attributable partly to increased receipts under import duties, partly to payment of income tax and super tax by certain State-managed boards hitherto exempt, and largely to the substantial rise in revenue from State-managed boards.

For 1954/55 only minor changes in revenue are indicated, the only new measures being increases in the betting tax, postal rates, and in the excise duties on sugar, cigarettes and liquor. Contributions by State boards are larger.

Expenditure

During 1953/54 a substantial increase is indicated under investment, and loans and advances, the two items together totalling K 506 million of capital outlay by government. For 1954/55 these two items together are at nearly the same level; however, if capital expenditures of State enterprises were included, total capital outlay would be much larger. Increases are also shown under defence and social services (while current expenditures have been kept at existing levels).

With more ambitious programmes of economic development, the capital expenditures of some 16 State-managed boards and corporations (excluding the SAMB) are estimated to increase from K 240 million in 1953/54 to K 660 million in 1954/55. Major increases include electricity, industrial development, housing, railways, and special (engineering) projects.

The deficits of these enterprises are estimated at K 260 million in 1953/54 and K 650 million in 1954/55.[1] In 1953/54 loans from budget allocations financed nearly the whole of their deficits. In 1954/55 such loans will meet only about 40 per cent; the balance may have to come mostly from the Union Bank, since the State Agricultural Marketing Board, an important source of government finance, may not be able to provide funds on the same scale next year.

As at the end of June 1954, the actual expenditures incurred by many of these agencies fell considerably short of the budget estimates. The Industrial Development Corporation had spent only 44 per cent, the Electricity Board only 16 per cent, the Mineral Resources Development Corporation 22 per cent, and the National Housing and Town and Country Development Board 49 per cent of the appropriations for 1953/54.[2] Their expenditures in the next eighteen months may appreciably increase but planned expenditures are not likely to be realized.

1. *Budget Estimates of the Government of the Union of Burma, 1954/55*, Book I. If the SAMB accounts were included, the deficit would be smaller.

2. *Progress Report Analysis reports* on Industry and Mining, and National Housing, Town and Country Development Board, published by Economic and Social Board, during August-September 1954.

MONEY SUPPLY AND PRICES

An attempt to assess the impact of governmental expenditures on the economy as a whole by means of a cash-consolidated statement of all the cash receipts from and cash payments to the private sector by the government has been made in the *Economic Survey of Burma, 1954*. In 1953/54 the domestic cash deficit, i.e. the excess of government payments to the private sector over its receipts from the private sector, is estimated at about K 700 million. This domestic cash deficit, however, is not expected to create equivalent inflationary pressures because it will be largely offset by an estimated excess of private imports over private exports of K 550 million, which will be paid for either out of the external surplus accruing to the governmen or out of foreign exchange reserves, or both.[3]

Whether sizeable inflationary additions to money supply will be actually caused by government deficit or offset by import surpluses as envisaged, will depend upon the accuracy of two forecasts. First, government expenditures might fall short of target levels, while government receipts might meet or even exceed expectations, giving smaller domestic cash deficit of the government than that estimated. This is not unlikely. Alternatively, the foreign exchange assumptions might prove wide of the mark, and the government's surplus abroad might not come up to the target level.

However, trends in total money supply since the latter half of 1953 do not so far point to any significant inflationary tendencies. The total money supply after reaching the peak of K 1,400 million in June 1953 (coinciding with the peak in foreign exchange reserves in the same period), declined to K 1,160 million by February 1954. Later it increased to K 1,280 million by June. The major contractionist influence on the money supply has been net payments abroad, reflected in the decline in foreign exchange reserves. Offsetting this was the expansionist effect of net payments by the government to the private sector of the economy, caused by larger developmental expenditures. The seasonal expansion in the bank credit during the period January-April 1954 was smaller than in 1953 owing partly to the lower level of rice prices and the slack movement of exports during the first quarter of the year, and partly to a change in the State Agricultural Marketing Board's procurement policy which had the effect of substantially reducing the demand for seasonal funds by rice dealers from commercial banks. With the mildness of the busy season expansion and the commencement of the slack season in May, money conditions have remained fairly easy. Further changes in money supply will be dependent upon government expenditures on the one hand and external payments on the other.

The significant development in the price situation has been the general downward trend in response to the lower level of rice prices. The Rangoon consumer price index continued to decline, the fall between October 1953 and March 1954 being of the order of 15 per cent and the rise in the second quarter of 1954 being due to seasonal factors.

3. *The Economic Survey of Burma 1954* gives the following figures in this context (in million kyats):

	1952/53	*1953/54*	*1954/55*
Net domestic receipts from the private sector	970	1.340	1,875
Net domestic receipts from the private sector	1,620	2,040	2,800
Domestic cash deficit	650	700	925
Excess of private imports over exports	450	550	700
Excess of expenditures on account of public and private sectors	200	150	225

CONCLUSION

Burma has made appreciable progress in the preparation of developmental projects and the establishment of the machinery necessary for planning and implementation. The ground has thus been prepared for a larger scale of developmental outlay in the coming years. Shortage of administrative and technical personnel is a serious bottleneck. However, energetic efforts are being made through intensified technical training, participation of foreign enterprises, and other means to overcome it. The recent emphasis in policy on joint ventures with foreign concerns, and the engagement of foreign engineering and construction firms on contract for projects are important steps in this direction. The foreign exchange expectations of the earlier years may have proved somewhat optimistic and the coming year or two may witness a shortage of foreign exchange stemming from the reduced price of rice. However, the realistic and successful rice export policy of the government, in conjunction with the reparations from Japan and some measure of external assistance, which may become available, would enable Burma to tide over this difficult phase. The progress made so far and prospects for the future offer reasonable ground for optimism.

Chapter 8. CAMBODIA, LAOS AND VIET-NAM

It is too early to judge the economic significance to Cambodia, Laos and Viet-Nam of the Cease-Fire Agreement signed on 20 July 1954 in Geneva, but it would seem probable that the Agreement will enable resources to be diverted to reconstruction and it may result in an acceleration of the process by which the states are becoming autonomous, political and economic units.

During 1955 this economic separation will set a number of problems common to all the territories,[1] but once it is achieved the differences between the three States may lead to different reactions to these problems. The end of the war has benefited all the economies and eased their inflationary pressures. Extensive development plans are being worked out for implementation during the next two years.

VIET-NAM

Viet-Nam is the largest of the three States with an estimated population of 25 million living in an area of 330,000 square km. The average population density per square kilometre, which is 72 for the whole country, reaches over 450 in certain provinces of North Viet-Nam. North Viet-Nam has great natural resources and is the main industrial centre with rich deposits of coal and iron. It is estimated that the production of anthracite can be raised to 3.6 million tons annually, production of iron ore at Thai-Nguyen to 400,000 tons per year and production of phosphate in the region of Lao-Kay to 500,000 tons. All these indicate the potential mineral wealth of North Viet-Nam which can be gainfully exploited if conditions and resources permit.

On the other hand, South Viet-Nam is largely agricultural, its chief wealth being rubber and rice. There are possibilities of increasing agricultural production by increasing yield per hectare through irrigation and other measures, as well as by extension of the area of cultivation. There are possibilities also of encouraging small-scale industries by extending electricity to rural areas.

Forests cover approximately 13.5 million hectares or nearly one third of Viet-Nam, but only 3.5 million hectares have been exploited in recent years owing to the state of insecurity.

The problems of reconstruction are obviously most acute in Viet-Nam, where the impact of civil war has been more severe than in Cambodia or Laos. It is estimated that about 60 per cent of the pre-war railway system has been destroyed. The area under rice in Viet-Nam has probably contracted, though official estimates of the crop are not available. Some 40,000 hectares of rubber are still in disturbed areas. Moreover, it is impossible to predict accurately the consequences of the military demarcation line on an economy in which the North has most of the industry while the South has a rice surplus.[2] It is estimated that about 500,000 people[3] have migrated from the North to the South, leaving about 13 million north and 12 million south of the 17th parallel.

Rehabilitation programme

The State of Viet-Nam has finalized its two-year rehabilitation programme involving Pr 20,237 million or $578 million[4]; implementation will start towards the end of 1954. Expenditure of Pr 11,181 million is planned for the first year 1954/55 and Pr 9,056 million for 1955/56. This programme is intended as a basis for a longer term plan of economic development. The United States is expected to finance approximately 70 per cent of the cost of the programme, the remainder coming from France and from the national budget. Emphasis is laid on transport and communications (28 per cent) and public administration (26 per cent),[5] while agriculture (including stock breeding, forestry, fishery and agrarian reform) will receive 12 per cent, and community development, social welfare and housing about 9.4 per cent. Before the second world war the State operated the railway network of 2,500 km of metre-gauge track except for 384 km in North Viet-Nam belonging to a private company. About 36 per cent of the railway in South Viet-Nam needs to be rehabilitated. Port facilities at Saigon and Tourane will also be extended and a large dredging programme will soon be instituted to restore the extensive inland waterway system, the maintenance of which had to be neglected during the past decade.

A sum of Pr 520 million has been allocated to the National Office for Distribution of Electric Energy for reconstruction of existing lines and installation of thermal plants in the provinces to distribute electric energy to the rural areas and so promote development of cottage and small-scale industries.

There has been a continuous increase in building, especially in the major cities. In real terms (1952 prices), in the State of Viet-Nam public works expenditures rose from Pr 340 million in 1952 to Pr 409 million in 1953 and Pr 492 million in 1954 (estimate).[6] The National Office of Reconstruction was set up both to build low-cost houses for workers and junior civil servants to rent or buy by instalments and

1. In the present chapter much of the discussion on public finance, currency and trade, as well as administrative and other problems of separation cannot be given for the three States separately without duplication. These common problems are therefore considered jointly in the final section.

2. North Viet-Nam, where the population is dense, is a rice-deficit region, with rice consumption estimated at 1.7 million tons against production of 1.4 million tons. The deficit is normally met by rice from South Viet-Nam and Cambodia.

3. Office of the Commissioner-General for Refugees.

4. 35 piastres = US$1.

5. Owing largely to increases in salaries and other expenses.

6. Deflated by the cost of living index of Saigon-Cholon.

to grant construction loans to individuals. In 1954 it was given credits of Pr 11 million for construction loans and Pr 26.7 million for low-cost housing. Corresponding figures for 1953 were Pr 8.5 million and Pr 27.8 million.

Agricultural production

A three-year plan in agriculture is being implemented; it is primarily designed to increase the yield of rice and improve the quality of rice seed. The present yield of 1.3 ton per hectare is low. Special attention is given to demonstration of better techniques of production following the lines recommended by the International Group of Rice Breeders. For 1954/55 about Pr 75 million as well as some United States aid have been allotted for mechanization of rice cultivation. Irrigation works and drainage in the Gocong area are expected to bring 11,500 hectares into cultivation. In 1953/54 about Pr 8 million were distributed as crop loans through the co-operatives and in 1954/55 the sum will be doubled. However, there has not been enough cheap agricultural credit and the cultivators still normally have to pay exorbitant rates of interest to money lenders. In the two-year rehabilitation programme, drawn up by the Ministry of National Economy, a further Pr 2,397 million is allocated for agricultural development.

In four important land reform measures passed in June 1953, land rents were fixed at 15 per cent of the crop; tenants cultivating abandoned lands for three years acquired a right to use them; provision was made to grant small holdings to landless peasants; and a maximum was fixed for the land to be held and cultivated by a single landowner.

Some of these reforms have not worked out smoothly. A commission on the land reforms composed of representatives of cultivators, landowners and the government, formed in 1954, has proposed to increase the rent to 25 per cent of the crop as the former rate was found to be too low and landowners could not pay the land tax which has since increased by 200 per cent. The agricultural policy in South Viet-Nam seems to favour improvement of tenancy conditions rather than redistribution of ownership, although some State lands have been sold in small parcels to help landless peasants.

More than half the rice area is in the Mekong delta in South Viet-Nam, where small landowners with less than 5 hectares represent about 72 per cent of the population.[1]

Despite the cease-fire in July, the planted area under *rice* in 1954/55 is reported to have declined further because of continued insecurity in certain areas. The re-settlement of peasant refugees in South Viet-Nam is also hampering normal agricultural operations. Measures are, however, being taken to increase yields and bring back abandoned lands under cultivation.

The total area planted with *rubber* mainly in South and Central Viet-Nam is estimated at 108,424 hectares, of which only 62,297 hectares are exploited. The 1953 production was 53,257 tons of rubber, a little below the peak level of 1941/52; nearly all of this was exported. The plantations are owned extensively by Europeans and their workers come almost entirely from North Viet-Nam. It is estimated that over 40,000 hectares are in the insecurity region and it is impossible to ascertain their production. Some local over-tapping is reported and replanting has not been adequately maintained.

Production of secondary products such as maize, kapok and fish has improved a little. *Maize* is an important subsidiary food especially in North Viet-Nam when the rice harvest is deficient. The area under maize was estimated in 1953 at about 15,975 hectares with a production of 15,808 tons.

Industrial production

Industrial production is mainly concentrated in North Viet-Nam. In 1952 and 1953 production of *coal* was just under 900,000 tons. Output in the first half of 1954 continued at an annual rate 21 per cent higher than in 1953, although still far below the pre-war level of 2.3 million tons.

Output of *cement*, increased by 24 per cent to nearly 300,000 tons in 1953, surpassing the 1938 level, but production during the first half of 1954 was slightly lower. Domestic demand remained high because of the increased construction requirements and nearly 40,000 tons had to be imported in 1953, while in the first half of 1954 imports were still higher, by 31 per cent.

Cotton textile production suffered in the second world war and has not regained the pre-war level. Production of cotton textiles[2] however increased in 1953. Minor manufactures include alcohol, tobacco, sugar refining and cottage industries such as basket work, soap and salt.

Electricity production in 1953 rose by 30 per cent, especially in Saigon, but still is short of demand. Production in the first half of 1954 continued at a high rate as in 1953 (nearly three times the pre-war production of 100 million kW). The State of Viet-Nam has plans to electrify the rural areas by installing thermal plants to promote cottage and small-scale industries.

Public finance

The budget estimates of the State of Viet-Nam have not been finalized for 1954 because of the drastic military and political changes, the *de facto* partition of the country by the military demarcation line under the Cease-Fire Agreement and the overwhelming refugee problem. In 1953 the total expenditures in the national and regional budgets amounted to Pr 8,500 million, of which more than 70 per cent represented military expenditures. Tax receipts did not balance expenditures; the deficit was partly financed by France which also contributed over Pr 1,000 million to military expenses. In addition, the State of Viet-Nam borrowed Pr 500 million from the Institut d'Emission[3] in 1953 and a further loan of Pr 500 million in 1954 indicates its weak financial position.[4]

1. In North and Central Viet-Nam over 90 per cent of the population are small landowners whose plots are less than 5 hectares. Holdings of over 50 hectares are rare.

2. The textile mill in Nam-Dinh, the largest in North Viet-Nam (142,000 spindles), was reported to have closed down in October following the *de facto* partition of the country under the Cease-Fire Agreement.

3. The principal function of the Institut d'emission is to issue currency.

4. Cambodia claims that the State of Viet-Nam also owes over Pr 1,000 million as its share of the revenue of the Customs Union. This debt would be increasing monthly at a rate of Pr 70 million.

In the national budget the revenue for 1954 was estimated at Pr 5,333 million (as compared to Pr 4,597 million in 1953), while civil expenditure was anticipated at Pr 6,300 million including Pr 1,800 million as subsidies to regional budgets. The provision for military expenditure was estimated at Pr 17,000 million at the beginning of the year, but will probably be revised downward in view of the cease-fire of July. Actual expenditures for defence during the first 8 months of 1954 amounted to Pr 5,323 million as compared to Pr 4,091 million in 1953.

Price levels

The rise in prices which was aggravated by the 40 per cent[1] devaluation of the piastre in May 1953 has eased recently and prices have been stabilized though at a considerably higher level. The relative stability of the price level is due to surplus stocks of rice, leading to lower food prices, and to increased imports of necessities, particularly under United States aid. The rise in prices in 1953 had reduced real incomes substantially since it was not accompanied by a proportionate increase in money incomes.

A notable feature in the war economy of the State of Viet-Nam has been the absence of rigid price controls and rationing, an indication that in no period has the inflationary situation gone beyond control, mainly because the financial burden of the war has been borne by France, assisted by the United States, with relatively small contributions from the national budgets. The expenditure originating from French and national military forces has been the main inflationary force but it has also provided substantial foreign exchange enabling essential and other supplies to be brought in for the civilian population. The general index for wholesale prices in Saigon-Cholon (base 1949=100), which rose by 24 per cent immediately after devaluation in May 1953, has been remarkably steady at around 155 (about 30 per cent higher than before devaluation) through the first half of 1954 (see chart 21). The index for imported products which rose from 106 in the pre-devaluation period to 158 in the third quarter of 1953 has also been relatively stable at 161 for the greater part of 1954.

Wholesale prices of rice were unusually low in the early part of the year, fluctuating between Pr 300 and Pr 330 per 100 kg for No. 1 variety (25 per cent brokens). This was from 20 to 30 per cent below the 1953 price levels in spite of the 40 per cent devaluation of the piastre in May 1953. However, at the end of June 1954 white rice prices began to rise steadily and in August they were quoted at about Pr 400 per 100 kg in Saigon-Cholon. They will probably remain rather high until the new harvest towards the end of 1954. Export prices of No. 1 rice f.o.b. Saigon were quoted at $138.50 per ton in April 1954 and fell to $119.50 per ton at the end of July, but recovered to $131.30 by the end of August.

The cost-of-living index for a Saigon working class family (base 1949) which stood at 206 in January 1954 declined to 197 in May and rose to 203 in August, as compared with 152 in April 1953, before the devaluation.

1. i.e. from 17 francs per piastre to 10 francs per piastre.

In table 25 the money wages of the workers are deflated by the cost of living index for the working class in Saigon-Cholon in order to compare their real incomes in the pre-devaluation and post-devaluation period. The real wage of the workers in Saigon-Cholon declined by 40 per cent for skilled workers and by 41 per cent for unskilled labourers immediately after the devaluation in May 1953, but it gradually increased in the first half of 1954. Immediately after the devaluation the government froze wages and salaries by decree, but without success.

TABLE 25

INDEX NUMBERS OF WAGES IN SAIGON-CHOLON
(December 1949=100)

	Dec. 1952	June 1953	Dec. 1953	June 1954
Daily money wages				
Unskilled workers	153	173	214	236
Skilled workers	187	214	253	291
Real wages				
Unskilled workers	157	92	105	116
Skilled workers	191	114.5	124	143

Trade policy and agreements

During 1954 the State of Viet-Nam entered into bilateral trade agreements with the Belgo-Luxembourg Economic Union, Italy, West Germany, and the Netherlands in order to renew import plans for a further period of six months. It is reported, however, that a trade mission to Japan was unsuccessful in securing a rice agreement.

CAMBODIA

Cambodia's population is estimated at over 4 million spread over an area of 139,000 square km. Its economy, with rice and rubber as the major cash crops, is centred along the Mekong and around the Great Lake, a great source of fish. About 60 per cent of the cultivated area is under rice, and this could be extended substantially[2] but for the shortage of labour. There is no regular prospecting of mineral deposits but there are indications of iron, copper and gold and phosphate in the provinces of Kampot and Battambang and precious stones in the area near Battambang can be found.

Development programme

Cambodia has drawn up a two-year national development programme emphasizing irrigation, flood control and drainage; it is to take effect from January 1955. Work on the Choeung Prey and Western Barai sections of the irrigation programme, now being financed from national resources and United States aid, should be completed by 1955 and bring 18,000 hectares into cultivation. The filling-in of low-lying areas along the Mekong is in hand. The condition of roads is generally poor and repairs on approximately 4,000 km are being undertaken. Experiments in the use of modern ma-

2. Of a total land area of 14 million hectares in Cambodia, about 5 million hectares are said to be cultivable.

chinery in forestry and rice-growing are also being undertaken. Other important projects under consideration are the seaport in the bay of Kg-som, improvement of port and airport facilities at Phnom-Penh, dredging work in certain sections of the Mekong river, railway and road development for opening up the highlands and irrigation projects which will bring 140,000 hectares into cultivation.

Agricultural production

Rice land in Cambodia covers about 2.4 million hectares. About 90 per cent of the cultivaters are owner-cultivators and holdings of less than 5 hectares are very common. In 1953/54 paddy production was 1,463,000 tons, an increase of 53,000 tons over the previous year, due to the expanded area under cultivation and also to the increase in yield per hectare. Owing to more favourable prices, Cambodia succeeded in exporting 220,000 tons of rice during the first 9 months of 1954 as compared to 126,000 tons during the corresponding period of 1953.

The government is taking measures to improve the quality of rice by distributing about 1,900 tons of seeds to peasants in 1954 as against 15 tons in 1953 and teaching them more rational methods of cultivation. As Cambodia is short of manpower attention may have to be given to mechanization of agriculture in the development of new lands.[1]

Every year the rural population contracts over Pr 600 million of debts to finance the necessary expenses. Agriculturists go to private money-lenders or to provincial credit organizations financed by the State. However, since 1952, by reason of renewed insecurity, there have been fewer money-lenders and those that still operate have been more exacting, so that the provincial credit institutions have not been able to meet the credit requirements of the agriculturists who have to be left at the mercy of money-lenders and middlemen. The cultivator being on the lowest rung of the economic ladder, his relatively weak economic position vis-à-vis the traders and middlemen, who are mainly aliens, is a further factor working against his interests.[2]

A major immediate problem is to persuade the peasants to go back to the fields from urban areas where they crowded because of insecurity in the country-side.

Rubber ranks second among Cambodian exports; the production in 1953 was estimated at 19,736 tons from an area of 22,556 hectares. The area exploited had increased to 31,035 hectares by June 1954. Rubber production in Cambodia and Viet-Nam together in 1953 was 72,000 tons, exceeding the pre-war level of 60,000 tons, and rubber exports have been well maintained in 1954. The production of sole crepe is increasing in comparison with that of smoked sheets. A few plantations are being provided with modern equipment to produce concentrated latex for export. With better security conditions it is hoped that new plantations made up of choice plants could be tapped towards the end of 1954, which will contribute to increase production.

The area under other agricultural products is comparatively small and statistics for such crops are not accurate. Only *maize* and *beans* have a cultivated area of more than 170,000 hectares. Approximately 90 per cent of agricultural products other than rice such as maize, *pepper*, rubber, *sesame* etc. are for export. Production in 1953 was estimated at 120,000 tons for red maize, a good portion of which is exported to Viet-Nam. Measures to improve the quality of red maize include establishment of mechanical dryers and appropriate warehouses, distribution of hybrid seeds to peasants and the development of power agriculture on the banks of the Mekong.

Production of *fish* is significant both to the revenue and to the export economy of Cambodia. The Great Lake and the surrounding region are considered to be one of the greatest productive sources of fresh-water fish in the world[3] with an estimated catch of 125,000 tons annually. According to statistics furnished by the Fish Co-operative, fish purchased during the 1953/54 season (11 months) amounted to 9,701 tons valued at Pr 52 million as against 7,502 tons valued at Pr 36 million for the corresponding period of the previous year. A large quantity of fish (especially dried fish) is exported to Viet-Nam, Singapore and Hong Kong.

Industry and transport

Industry is not generally of much importance to Cambodia, with the exception of local village crafts. The government is understood to favour a system of protection for the development of industry when the Customs Union is broken up.

Cambodia's transport system comprises a railway connecting with the frontier of Thailand and a few roads, as well as the natural waterways provided by the Mekong and its tributaries, on which light ocean-going vessels can reach Phnom-Penh. As the preservation of the navigation rights on the Mekong, which flows through Viet-Namese territory to the sea, is of vital importance to Cambodia, the government has proposed the internationalization of this river as a safeguard. It has also asked for the right to use the port installations of Saigon which it claims were built from the resources not of Viet-Nam alone but of all three States.

Housing is an acute problem and plans have been drawn up with some United States and French assistance for the building of residential apartments in Phnom-Penh and in the vicinity of the airport of Pochentong.

Cambodia has large potential reserves of wealth in its forests which are at present largely undeveloped. Further development of transport facilities appears to be the chief requirement for mobilization of these resources.

Public finance and prices

The budget for 1954 is balanced at Pr 1,670 million or 29 per cent more than in 1953. Total revenue is expected to increase by 30 per cent over the previous year, mainly on account of the increase in land taxes and customs revenues. The exceptional tax levied on rice exports immediately after the devaluation of the piastre in 1953 to prevent exporters from making excessive profits was abolished in 1954 to encourage rice exports in the world market with falling prices. On the other hand, military expenditure in 1954 was expected to increase to more than twice the 1952 figure, representing 50 per cent of total expenses. Civil expenditures which

1. Mechanical farming is being developed on some 2,500 hectares in Battambang province, to be increased to 4,000 hectares later.

2. The commercial banks, owned largely by foreigners, finance mainly foreign trade and have not ventured into either agriculture or small business.

3. The yield is estimated at 80 kg per hectare.

amounted to 70 per cent of the total budget in 1952 decreased to 50 per cent in 1954. A 30 per cent cut in civil expenditures was imposed as there was some delay in the receipt of the Cambodian share of revenue from the Customs Union in 1953. The increase in military expenditure at the expense of civil expenditure was apparently budgeted at the beginning of 1954 when the cease-fire was not yet in sight.

Beginning from August 1954 increases in certain domestic taxes were imposed: the hotel and restaurant tax increased from 3 to 5 per cent and the special national defence tax from 0.5 to 1 per cent on transactions.

Cambodia, which borrowed Pr 250 million from the Institut d'Emission in 1953, has refrained from inflationary borrowing during 1954. Nevertheless price rises in Cambodia were more moderate in 1953 than in the other two States, while from March to June 1954 the cost-of-living index rose in Cambodia but not elsewhere. The timing of local price increases is probably due more to the incidence of military expenditures and delays in the transport of supplies than to basic inflationary or deflationary factors, so that the rise in 1954 may be merely a delayed adjustment.

LAOS

The Kingdom of Laos, with a sparse population of only 6 persons per square km in an area of nearly 250,000 square km, mainly of forests, is a land-locked country, and transportation difficulties are one of the major problems for economic development. Nearly 90 per cent of the population are associated with agriculture and forestry.

The wealth of Laos seems to be in its forests, which have hardly been exploited, as well as in mineral resources, particularly tin and copper. However, as in the neighbouring States, there has been no complete survey of the natural wealth, and it is thus difficult to ascertain the economic potential and possibilities of development.

Five-year plan

The execution of the five-year plan involving investment of over Pr 900 million, which was drawn up by a Planning Commission established in 1951 and submitted to the National Assembly in 1952, was held up in 1953 by the invasion of the country. Initially the government concentrated on the improvement of agricultural production (Pr 194 million) and communications (Pr 395 million). The general plan contemplated substantial increases in the production of rice, tobacco, timber, and livestock.

Following the end of hostilities the government turned its attention first to the restoration and improvement of communications, in particular to those connecting the population living in the south with Vientiane, the capital. The mountainous nature of the country and the high cost of transport present a major problem for economic development. There are no railways and the roads have hitherto been maintained only as needed to serve military operations. Repairs have been undertaken by the National Public Works Service with the help of French Union Army engineers on the southern part of the road which links Savannakhet with the Cambodian frontier. At the same time, it is proposed to develop river transport on the Mekong which runs parallel to the highway, because inland water transport is considered to be more economical. It is hoped to finance the five-year programme by means of budgetary contributions, private savings and external aid. France has already promised about Pr 4 million towards the transport programme while the United States has undertaken the cost of paving the road from Vientiane to the Thailand border at Thadeua. Laos is particularly interested in improving the road and communication links with Thailand with which it expects to maintain closer relations in the future.

Two major projects that can be initiated if resources permit are the development of hydro-electric power in Southern Laos and the exploitation of copper mines in the province of Xieng-Khouang. United States financial assistance has also been received for agriculture, health, forestry and irrigation projects.

Agricultural and mineral production

Insecurity has made it impossible for the provincial authorities, officials from the Agricultural Bureau, to go out on inspection tours to ascertain the state of crops and their approximate yield. However, on the basis of data collected in 1948 and 1949 the following products may be mentioned. Rice covers an area of 800,000 hectares with an annual production of 520,000 tons; tobacco, 1,500 hectares with a production of 600 tons; and coffee, 2,000 hectares with a production of 1,500 tons (1948 figures). Laos is nearly self-sufficient in rice, although in recent years it has had to import a few thousand tons from Cambodia and Thailand. The livestock is estimated to have decreased by 40 per cent owing to destruction caused by cattle disease and insecurity conditions. Despite this destruction Laos has been able to export some livestock to the State of Viet-Nam.

To encourage development of agriculture and livestock breeding, the government has granted loans of Pr 3.5 million to agriculturists and breeders. For 1954, a credit of Pr 10 million has been included in the national budget for the same purpose.

The forests, which are owned entirely by the State, cover 60 per cent of the total territory; half of them are of economic value. It is estimated that 70,000 hectares are groves of more or less mixed teak which is cut and floated down the Mekong over falls and rapids to Phnom-Penh and then on to Saigon. Production of timber is estimated at 35,751 cubic meters in 1952/53 and 16,782 cubic meters in 1953/54. High transportation costs are a major factor hindering fuller exploitation of forests which may well provide Laos with an important export commodity.

Before 1941, there were two tin mines (in Boneng and Phontiou) which exported 1,893 tons of tin ore to Singapore, representing 68 per cent of the total tin exports of the three States. The Phontiou mine, which had been rehabilitated, produced 560 tons (with 50 per cent tin content) in 1953 as against 278 tons in 1952; this figure is still 50 per cent below the pre-war level.

Public finance and prices

The national budget for 1954 provides for an expenditure of approximately Pr 632 million compared with Pr 508 million in 1953, an increase of 24 per cent. Of the total receipts excluding borrowing, nearly 70 per cent is expected to come from customs revenue. It provides for Pr 260 million from external sources in order to balance the deficit, as against a sum of Pr 150 million in 1953 which was financed entirely by borrowings from the Institut d'Emission. Among expendi-

tures, there has been a substantial increase of 18 per cent in expenditure on administrative personnel because of increased salaries and indemnities paid on account of the devaluation. About 49 per cent of the total budget is earmarked for public work. No provision for defence expenditure is allotted in 1954 as it is assumed that military expenses will continue to be borne by France.

The fact that military expenditures are not carried on the national budget adds to the difficulty of interpreting price changes. After the devaluation in 1953 price rises in Laos were particularly sharp, but this might have been due less to the borrowing of Pr 150 million from the Institut d'Emission than to military expenditures and increasing costs and difficulties of transport. The rise continued in the first quarter of 1954 from 243 in January to 274 in March (1948=100) but in the second and third quarters the index remained relatively stable.

DEVELOPMENTS COMMON TO THE THREE STATES

The state of insecurity in the three States has prevented them from drawing up well integrated development plans. Lack of basic economic data, trained personnel and finance has been a further major bottleneck in the formulation of the well-rounded plans which the countries need. Nevertheless the three States have drawn up rehabilitation and development programmes on the basis of individual projects for early implementation. It is feared, however, that technical and administrative bottlenecks may be formidable.

A serious strain at the administrative level is already experienced in varying degrees by the three governments. The situation is for the time being made more difficult by the decision shortly to break up the quadripartite institutions such as the Institut d'Emission (Bank of Issue), the Customs Union, and others, set up under the Pau Conventions of 1950.

The planning authority in each country, working in close association with the United States and French technical and economic aid missions, reviews individual projects and advises the government on priority and feasibility within available resources of foreign aid and national budgets.

Economic separation

Owing to the long association with France the three States' banking, currency and exchange control system, trade and payments arrangements, public finance and tariff structure have been closely tied together and to the economy of France. Until recently Cambodia, Laos and Viet-Nam formed a Customs and Monetary Union; the proportions of customs revenue shared by the States were as follows: Cambodia 22 per cent, Laos 7 per cent and Viet-Nam 71 per cent. From January 1952, however, the note issue function was taken over from the Bank of Indochina by the Institut d'Emission with a governing body consisting of representatives of the Governments of France and the three States. The institute serves as a banker to the three governments and is also empowered to make loans to the State treasuries within certain limits. The piastre is linked to the franc at 10 francs to a piastre since the devaluation in May 1953, as against the pre-devaluation rate of 17 francs to a piastre. The three States participate in the payments arrangements and procedures of the franc area, a system similar to that of the sterling area, particularly in respect of freedom to make transfers within the monetary area, pooling of available exchange resources and participation in the European Payments Union and trade arrangements signed by France.

Economic talks on a quadrilateral level between the governments of France, Cambodia, Laos and the State of Viet-Nam began in August 1954 to discuss the fundamental economic issues common to the three States. The results of this conference will be of great significance for the future economic status of the three States. Subjects under discussion are known to be as follows: Institut d'Emission, treasury and exchange, customs, immigration, equipment plan (a quadripartite organization for regional planning), telecommunications, and navigation on the Mekong. It has been decided to dissolve the Customs and Monetary Union and to set up national customs administration as well as national central banks early in 1955. The quadripartite organization for regional planning was dissolved in September, 1954, but the exchange control administration has not yet been transferred to the individual States.

External assistance

Up to the first of January 1955, the piastre being convertible into French francs for importers in the three states of French goods, the bulk of the deficit of the Customs Union was shouldered by France. This deficit amounted to more than 100,000 million francs in 1953 and to more than 40,000 million francs during the first half of 1954.

The major part of the cost of the war in the three states from 1946 to 1954 was included in the French military budget. The contribution of the United States government, however, increased after 1952 and was expected to be of major importance in 1954.

TABLE 26

CAMBODIA–LAOS–VIET-NAM: MILITARY EXPENDITURE, 1946-1954

(thousand million 1954 francs)

Year	French military budget[a]	Military budget of the states	US Direct constribution[b]
1946	102	—	..
1947	131	—	..
1948	136	—	..
1949	177	—	..
1950	258	—	..
1951	321	15	..
1952	428	30	85
1953	404	38	119
1954	428	60	475
Total	2,385	143	..

Source: International Financial News Service, Vol. VII, No. 6, 6, August 1954.

a. Includes subsidies to Cambodia, Laos and Viet-Nam (67 thousand million francs in 1952, 68 thousand million francs in 1953, 135 thousand million francs in 1954), but excludes expenditures such as veterans' compensation, repatriation grants etc.

b. Estimates. The 1954 figure which is likely to be revised downwards covers 200 thousand million francs of military deliveries and 275 thousand million francs of direct aid.

United States economic aid has been of the order of approximately $70 million for the three fiscal years ending June 1953; for 1953/54, it is expected to increase for both military and economic assistance. Economic aid is designed to stabilize the economy and increase production.

Outside of US and French technical assistance Cambodia, Laos and Viet-Nam have also received technical assistance under the United Nations Technical Assistance Programme and the Colombo Plan and from France.

Trade and payments[1]

In international trade and payments the economies of Cambodia, Laos and Viet-Nam have normally been closely linked with that of France. Under the Pau Convention on foreign trade the three States have the right to negotiate and sign trade agreements without the prior consent of France or participate in the commercial agreements concluded by France with foreign countries. However, import licences are issued within the limits of an exchange quota[2] determined from time to time by a quadripartite organization on trade. The trade deficit of the Customs Union during the first half of 1954 declined by 24 per cent as compared with the corresponding period of 1953. This has been brought about mainly by a 19 per cent fall in the value of imports following the devaluation in May 1953.

TABLE 27

CUSTOMS UNION OF CAMBODIA, LAOS AND VIET-NAM: VALUE OF IMPORTS AND EXPORTS

(Millions of piastres)

	Exports	Imports	Deficit
1953 first half[a]	1,554	7,188	−5,634
second half	1,738	6,351	−4,613
1954 first half	1,562	5,801	−4,239

a. Jan-May figures have been adjusted to take into account the devaluation in May 1953.

The principal development in exports during the first half year is the increase in the quantity of rice exports by 105 per cent as compared with the corresponding period in 1953. Rice has regained its position as the leading commodity representing 53 per cent of the total exports in the first half of 1954, followed by rubber with 30 per cent. The value of rice and rubber represented 72 per cent of total exports in 1953. The increase in rice exports has been facilitated by the gradual reduction and final abolition of the exceptional export tax[3] and the lifting of the embargo on rice imposed by Cambodia and Viet-Nam immediately after the devaluation in May 1953, in order to stabilize prices and prevent excessive profits. When exports began to move again towards the end of 1953, the downturn in the international rice market was clearly visible. Export prices of Rice No. 1 (25 per cent broken) dropped 14 per cent from the beginning of the year to the end of July, but internal prices were even 20 to 30 per cent below the price levels in the early part of 1953 despite the devaluation.

Over 50 per cent of the rice exports during the first half of 1954 went to countries in Asia, including Malaya and Japan, and 36 per cent to French territories. The volume of rubber exports during the same period amounted to 35,000 tons, representing an increase of 18 per cent over the corresponding period in 1953, although in value it was 16 per cent below the 1953 figure. The United States took 69 per cent of rubber during the first half of 1954, as against 47 per cent in the previous year; while France received only 19 per cent as against 41 per cent in the previous year.

The 20 per cent fall in the value of imports resulted mainly from the fall in the volume of imports. The largest fall occurred in the food and consumer goods groups while imports of capital goods appear to have been maintained.[4] However, the decrease in volume did not affect all categories of commodities at the same time or in the same degree. It affected first those products the demand for which reacts more quickly to a fall in income and also those products for which current orders could be more easily cancelled.

Of the total imports in 1953, 82 per cent came from France and the French territories, 9 per cent from countries in Asia, and 9 per cent from other countries. In the first half of 1954, the share of France dropped to 76 per cent of total imports while the share of other countries including the United States increased to 13 per cent. Of the total exports in 1953, 29 per cent went to France, 47 per cent to countries in Asia and 24 per cent to other countries. The distribution pattern did not change appreciably in the first half of 1954.

1. As reliable trade data are available for the Customs Union as a whole, it is not feasible to treat the external trade of the three states separately.

2. Foreign exchange is granted for imports from non-franc areas only when the goods required cannot be secured from the franc area sources or when such procurement would involve too long a delay.

3. The original tax imposed immediately after devaluation for Rice No. 1 was Pr 2,500 or $70 per ton. It was finally abolished on 24 July by Cambodia and on 10 August by Viet-Nam.

4. Import of iron and steel, machinery and metal goods amounted to about 111,000 tons in 1953, which is more than double the pre-war level in 1938.

TABLE 28

CAMBODIA, LAOS AND VIET-NAM: IMPORT INDICES, 1953-54
(1950=100)

	Price index	QUANTUM INDEX				
		General index	Food	Other consumer goods	Base metals and semi-processed goods	Equipment and capital goods
1953 annual . . .	172	158	156	155	182	138
1953 first half . . .	139	165	173	159	192	136
second half . .	206	151	140	151	172	140
1954 first half . . .	203	140	142	128	172	134

Public finance and monetary policy

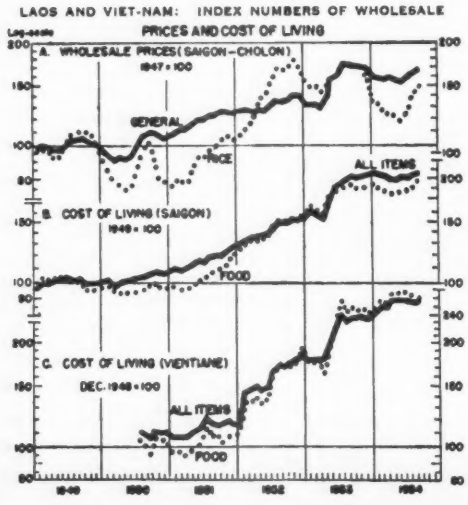
Though the devaluation of the piastre in May 1953, by raising the prices of goods and services, tended to increase the expenses of the governments, budget deficits were not so large as had been feared since such measures as the freezing of wages and salaries, the reduction of administrative expenses and the imposition of an exceptional tax and a supertax were taken. Moreover, credits which had been promised were cancelled or greatly reduced. Nevertheless, there was some resort to inflationary financing in the form of treasury borrowings from the Institut d'Emission amounting to Pr 900 million in 1953, or 11 per cent of the note circulation at the end of 1952.

There was a 19 per cent increase in the note circulation in 1953. Some of the important factors which tended to increase the volume of note issue were: (*a*) an increase of Pr 900 million in the advances to national treasuries; (*b*) the institute's contribution of Pr 484 million towards redeeming the treasury debt; (*c*) transfers from the French Treasury and consequent increases in the franc reserves of the institute, which rose from Pr 11,521 million in December 1952 to Pr 16,689 million at the end of December 1953.

The first factor may be taken as the direct impact of the budgets on money supply and (approximately) as a measure of deficit financing by the three States as a whole. During the first nine months of 1954, however, this kind of deficit financing was reduced substantially as the amount of borrowing from the institute, mainly by Viet-Nam, amounted to only Pr 585 million.

A major cause of the budget deficits was the increasing share of military expenditures which in 1953 represented 35 per cent of total expenditures in Cambodia, and 65 per cent in Viet-Nam, while in Laos military expenses were borne by France. The magnitude of the cost of war, however, cannot be gauged only from the military budgets of the three States. A large part of the war expenditures is incurred outside the budget and is financed mainly by France and the United States.

Chart 21



Price trends and changes in real income

The devaluation of the piastre in May 1953 caused a substantial decline in real income among the fixed income groups not only in urban areas, but also in rural areas. In the latter the decline in real incomes is worse because rubber and paddy prices have decreased in spite of devaluation, while prices of consumer goods such as imported textiles have increased. Rubber prices kept falling on the world market during 1953 and slightly in early 1954. During 1953 price of RSS No. 1 fell by 35 per cent in Singapore and the fall was sharpest for lower grades. Prices thus fell to the level of the beginning of 1950, while the cost remained high, thus creating increasingly difficult financial problems for the planters. Permission to rubber exporters to retain part of the dollar proceeds for imports was the only inducement which helped production indirectly. The price of paddy fell by 16 per cent between the first quarter of 1953 and second quarter of 1954.

On the other hand, the price of cotton textiles increased by 60 per cent. Thus the purchasing power of rubber in terms of textiles fell by nearly 60 per cent and that of paddy by 47 per cent during the same period. Although prices of paddy had begun to increase in the third quarter of 1954 (owing partly to seasonal factors), the increase was not sufficient to compensate for the loss in real incomes brought about by the devaluation.

The inflationary situation in the three States appeared to be stabilized by 1954, mainly through balance-of-payments deficits financed by foreign aid, but also in part because budget deficits were reduced. Prices in general, however, were at a higher level than a year before.

On the whole, both wholesale and cost of living indices were relatively stable in the major cities throughout the greater part of 1954—in contrast with the sharp rise following the devaluation in May 1953. In fact there were some price declines, particularly in the food category, largely due to the surplus stocks of rice.

CONCLUSION

Cambodia, Laos and Viet-Nam are undergoing a period of transition from a dependent and integrated economy into independent economic and political units and the problems of economic and social adjustments are great. Each country is now endeavouring to meet part of these problems through rehabilitation and development programmes. Now that peace has been restored, favourable conditions exist for carrying out these programmes; but stable and efficient administration seems to be an essential pre-requisite for their success. Moreover, as heavy reliance is placed on external assistance, both financial and technical, success will depend very much on the continuity and scale of such aid. Even in the short run, because of the fall in the market for rice exports and the consequent serious trade deficits, the three States may have to rely heavily on external aid to bring in essential consumer goods if inflationary pressure is to be curbed.

Chapter 9. CEYLON

The major development problems confronting Ceylon are the high degree of specialization on three export commodities, tea, rubber and coconut and products, the heavy dependence on imported food grains, and the rapid growth of population. The economic development programme gives the highest priority to improved agriculture and increased food production.

The population of Ceylon has been increasing at a rate of almost 3 per cent per annum, from 5.7 million in 1937 to 8.5 million by mid-1954. The death rate has been more than halved from 24.5 per 1,000 before the war (1935-39) to 10.8 in 1953 (a tribute to the government's successful public health measures), while the birth rate has increased from 35.7 per 1,000 to 38.9 during the same period. The government does not have an official policy on family planning. Facilities are, however, made available to voluntary bodies to promote family planning.

Increased domestic food production to save foreign exchange for imports is a major objective of development. Of the 6.5 million hectares of land in Ceylon, only 1.3 million hectares have so far been brought under cultivation,—over 800,000 hectares for the three export crops, and the remainder for food crops. It is estimated that another 400,000 hectares mainly in the dry zone can be cultivated. The opening up of this zone by colonization and roads for land settlement and food-production is a major project. Intensive cultivation of existing food production areas is also receiving attention.

Productivity of export commodities is to be improved so that Ceylon's exports can compete more favourably in world markets. But this cannot ensure the stability of export prices, which is so vital to Ceylon's economy but is beyond its control. Ceylon has presented at different meetings of international organizations, including commodity groups, the case for international action to stabilize raw material prices. It has also resorted to bilateral action, for example, in its trade agreement with mainland China.

Instability demonstrates clearly the urgent need to diversify the economy by means of increased food production and industrial development, to the extent permitted by natural resources and other factors.

Ceylon has been able to develop its social services appreciably, as the absence of a significant burden of defence expenditure has released resources for public health, education and other social services. Positive progress is shown in the growth of Rural Development Societies, Women's Societies, co-operatives and other institutions for social-economic development.

DEVELOPMENT AND PRODUCTION

The first post-war six-year plan, and the plan for Ceylon in the Colombo Plan[1] published in 1953, were in the nature of general plans; no detailed development plan has yet been prepared. However, the Mission from the International Bank for Reconstruction and Development which considered questions of development in some detail laid down the main lines, with priorities in the following order: agriculture, transport, electric power, health and education, and finally, industries. These had been followed except in one or two respects: for example, industry.

The planning activity of the Ceylon Government since the visit of the Bank Mission has mainly concentrated on a thorough re-appraisal of available financial resources and of individual projects on the basis of the Mission's findings and of further technical data, and also in the light of the experience gained from the 1952/53[2] financial crisis.

Since the 1952/53 crisis the abolition of food subsidies and the subsequent achievement of budgetary balance have placed the government in a stronger position to promote economic development without danger of internal inflation or external payments crisis. The transport bottleneck, particularly in newly settled areas, is being steadily dealt with by the construction of new roads and the use of more lorries. Difficulties in securing machinery and equipment have not been serious. The technical assistance which Ceylon is receiving under the Colombo Plan and the United Nations programme is helping to overcome bottlenecks in trained personnel.

According to a study of government capital outlays by the Planning Secretariat,[3] of the total cost of projects under construction in 1954/55, estimated at Rs 1,500 million, 84 per cent is for economic projects and 8 per cent for social services; other projects take up the balance of 8 per cent. Manufacturing and mining projects take up only 7 per cent of the total outlay on economic projects, of which the great majority are related to agriculture, transport and power. Up to the end of September 1954, only about 40 per cent of the

1. Under the revised development target of the Colombo Plan it is indicated that about Rs 1,500 million would be spent by the Government of Ceylon on development projects involving an annual outlay of Rs 300 million, but all this investment may not necessarily take place within the Colombo Plan period.

2. Fiscal year from October to September.

3. *Estimated Capital Outlays of the Ceylon Government, 1954/55*, prepared by the Planning Secretariat, July 1954. This estimate includes the capital outlays as embodied in the Loan Fund and Loan Scheme Expenditures and analyses the distribution of capital outlays according to the spheres of investment: defence, administration, economic projects, and social services. Economic projects comprise public utilities (*i.e.* transport and communications, power), agriculture, irrigation and fisheries, manufacturing and mining, distribution and trade, and tourism.

total sums allocated to the projects under construction would have been spent. For the balance of Rs 900 million, estimates have been made of commitments in later years. The proposed outlay for 1954/55 is Rs 263 million, declining rather steeply, from year to year, to Rs 16 million in 1960/61. The sharp falling off in outlays on existing projects indicates the need for new projects.

The various government agencies are engaged in preparing new projects, to replace the declining outlays on existing projects; and the government hopes to present a fairly complete statement on the future programme of development in 1955. This will include the findings of an Anglo-Australian technical mission which is currently examining an ambitious Rs 750 million programme for rice production in Ceylon.

The Cabinet Economic Committee (set up in 1953 with a few ministers) has recently been enlarged to include the entire Cabinet. This is the body which determines priorities and co-ordinates planning. The Planning Secretariat (also set up in 1953) assists in the preparation of the comprehensive programme and examines the proposals initiated by the different ministries. Each ministry has set up an Economic Advisory Committee composed of the heads of departments, with the Permanent Secretary as chairman and the Assistant Secretary as liaison officer. These committees are to co-operate with the Planning Secretariat in drawing up the investment programme for the public sector of the economy.

Agricultural and rural development

Measures taken to increase food production are mainly: increasing the area of cultivated land by setting up peasant colonies; restoring minor irrigation works; providing fertilizer, using insecticides, improved seeds and implements; paying subsidies to cultivators for reclaiming new land; and providing credit to peasants through co-operative societies.

An important element in food-production policy is the guaranteed price scheme under which the government has guaranteed a price of Rs 12 per bushel for locally grown paddy and specified prices for other food crops up to the end of 1957. This price of Rs 12 per bushel in 1953, which was some 10 per cent above the price of imported rice in that year, was still lower than the prevailing market price (which was up to Rs 18 per bushel). But in 1954 with increased production, the market price fell to an average of Rs 10 per bushel. Paddy purchases under the government scheme were 220,000 bushels in 1950, 592,000 bushels in 1951, 1,500,000 bushels in 1952, and 311,000 bushels in 1953. From January to July 1954, such purchases amounted to 781,000 bushels. Thus the guaranteed purchase, while ensuring price stability, involves a costly producer subsidy on all government purchases of home-grown rice. The government will have to consider the question whether it will be desirable to continue subsidizing the producer at such high cost.

Since 1953, the use of tractors for cultivating new land, mainly in the dry zone where labour and draught animals are relatively scarce and holdings relatively large, has assumed increased importance. During 1952, the Co-operative Agricultural Production and Sale Societies[1] purchased nearly 200 tractors which were distributed among nine tractor stations. In 1953, some 60 tractors were added by these societies. The Food Production Department also set up its own tractor stations during 1953, using 190 tractors given as a gift by the Australian Government under the Colombo Plan. It is too early to assess the working of the tractors, but in 1953 the area ploughed with them was very small, indicating that the tractors remained idle for the greater part of the year. Steps are being taken to improve training facilities for tractor operators, tractor maintenance and repair, and the organization of the units. Extension of tractor use will, moreover, be limited by the displacement of human labour that it would cause in areas where labour is not in short supply.

There has been a steady increase in food production in recent years. The paddy area including both the *maha* and *yala* seasons rose from 375,000 hectares in 1947 to 470,000 hectares in 1952 and is estimated at 510,000 hectares for 1954; paddy production was 21.8 million bushels in 1953 and rose to 31.2 million bushels in 1954. The production of subsidiary food crops, such as onions, chillies, yams, maize, kurakkan, etc., is also increasing and the imports of some of them are declining.

Tea production and export continue to be regulated in accordance with the International Tea Agreement. In 1953/54 (April-March) there was a slight increase in the cultivated area, and a substantial increase in the yield per hectare due to the control of blister blight. Tea output in 1953 was 156,000 tons, while production in 1954 amounted to 160,000 tons. Measures are being taken to organize tea co-operatives for small holders and to offer them technical and financial aid. The area under *rubber* remained below 263,000 hectares. Production fell from 98,610 tons in 1953 to 94,000 tons in 1954.

Community projects through Rural Development Societies represent an important aspect of development. There are nearly 5,900 of these societies, practically in every village, in addition to over 2,000 Women's Societies, which are auxiliary bodies interested in home sanitation, cottage crafts, home gardens and such other activities. During 1953, an increase of 307 Men's Societies and 372 Women's Societies was recorded. These societies have been encouraged to undertake government contract work also.

The government has fostered rural development by providing necessary materials and technical supervision. Voluntary labour has been mobilized in the villages for the construction of utilities, such as roads, latrines, canals, tanks, wells, meeting halls, etc.: a use of surplus manpower to form new capital. In 1950/51 the government provided Rs 500,000 and in the next two years Rs 3 million per year. The limits of government assistance were laid down for each type of project (e.g. Rs 250 for a well), an essential condition being that voluntary contributions of an equivalent value in labour should be made by the villages. Late in 1953 the Canadian Government made a gift of Rs 2.25 million for improvement to village roads constructed on a self-help basis. This money was spent by the Rural Development Societies on bridges, culverts, etc. to make the roads fit for vehicular traffic. Activities, based entirely on the principle of self-help, such as clean-up campaigns, use of boiled and cooled water, home gardens, assistance in sickness and funerals, etc., are also an important part of the programme of the Rural Development Societies. Another interesting function is the setting up of

1. These societies play a large part in food production. Their numbers at year end increased from 337 in 1951 to 564 in 1952 and 729 in 1953. The loans given to them by the government since 1947 when they were founded, had amounted to Rs 45 million by the end of 1953. They also undertake the distribution of fertilizer. See *Administrative Report of the Director of Food Production* for the years 1952 and 1953.

Conciliation Boards (some 4,800 of them were functioning at the end of 1953) which help in settling local disputes out of court.

Industry

Two significant developments in industrial policy are the shift of emphasis from public to private enterprise and the concentration on small-scale industries. The first is attributable to the government's unprofitable experience in running industries. The government is withdrawing more and more from the industrial field and trying to encourage private enterprise to play a larger part. Of the existing government enterprises steel rolling, acetic acid, cardboard, and drugs factories were closed down. The carpentry workshops have been converted into co-operatives and the ceramics factory is in the course of re-organization. The glass and leather factories will be handed over to private enterprise. As a result of the findings of a Commission on Government Commercial Undertakings set up in 1953, the government has decided to create statutory corporations to administer government factories, to give their management independence and flexibility of operation.

In the existing government factories, in the first half of 1954 the annual rate of cement output increased by 30 per cent from about 62,000 tons in 1953 and that of plywood chests output by more than 50 per cent from 3.6 million in 1953, while leather output also increased significantly. Reorganization and expansion of capacity were completed in the plywood and leather factories, as well as in the salt industry.

The programme for small-scale industries involves the establishment of some twenty experimental units relating to tiles and clay, umbrellas, plasters, small textile power looms, small sugar factory, etc. A budget allocation of Rs 1 million has been secured for this purpose.

Private enterprise in industry consists principally of soap, matches, canvas and rubber shoes and cotton towels, sarongs and banians manufacture. The most recent entries into this field have been two garment factories using modern cutting and sewing machinery. The first census of industry, in 1952, showed a value of gross output in 'Factory industry' in Ceylon of Rs 600 million, nearly 50 per cent being in the private sector. Protection under the Industrial Products Act is given to locally made cotton sarongs, towels and banians, ready made shirts, glass chimneys, glass tumblers and plywood chests; production of these has been steadily expanding. The government also gives some direct financial assistance to private industries and waives or reduces import duty on their raw materials and machinery. It is considering a recommendation by the Mission from the International Bank for Reconstruction and Development that a Development Corporation should be established by joint action of the government, the Central Bank, the commercial banks and other private interests. Its initial capital might be Rs 100 million of which government should contribute not more than half, and no single participant should own a controlling share. Following a recommendation by the same Mission the government has taken steps to establish an institute of industrial and scientific research; the necessary legislation for this has been placed before the Parliament.

The government is trying to promote private investment[1] in several fields including industry. Concessions include partial exemption from income tax up to five years, high rates of depreciation and low import duties on goods required by industries. Foreign participation may be secured in setting up an oil refinery and in modernizing the fishing industry.

Simultaneously, the policy of Ceylonization of trade and industry is being pushed further. The government has been using bilateral trade agreements and import licensing as instruments for promoting trade by Ceylonese nationals. Trade with mainland China is largely in the hands of Ceylonese nationals, and during the year imports from eastern European countries were brought under license, with a view to issuing licences to registered Ceylonese traders, who were also given preferential licensing treatment for imports from Japan and Germany. A considerable number of Indian traders have been repatriated.

PUBLIC FINANCE

Measures taken in the 1953/54 budget produced a marked improvement over the serious unbalance of the two previous years. The roots of the 1952/53 financial crisis lay in the budgetary policies pursued in the immediate post-war years when total expenditures (including those on social services and investment) exceeded current government revenues and savings by the public. Deficits were financed mostly by drawing upon the cash balances accumulated during the war years. The Korean-war boom temporarily brought revenues up to the level of expenditures and for one year, there was only a small deficit. However, as prices and revenues fell, the higher expenditures on investment, social services and food subsidies could only be met by large-scale deficit financing. The bulk of these deficits was financed by the expansion of banking credit. Thus the budget deficits in the two years 1951/52 and 1952/53 totalled Rs 425 million, nearly 20 per cent of total government expenditures.

In 1953/54, the government took the major step towards a balanced budget, by abolishing the consumer food subsidies,[2] which had cost the exchequer Rs 239 million in 1951/52 and Rs 127 million in 1952/53. A contributory factor to the improvement was the increase in customs revenue, mainly from the export duty on tea which was raised thrice during the year, first by 15 cents per lb in May, again by another 15 cents per lb in September to 75 cents per lb, and again to R 1 per lb in November, 1954.

According to the provisional figures and after making adjustments for temporary factors,[3] the government had a net cash deficit of only Rs 0.9 million in 1953/54 as compared with a similarly adjusted deficit of Rs 151.5 million in 1952/53.

The 1954/55 budget, described by the Finance Minister as aiming at economic development with financial stability, continues the policy of the balanced budget. The principal decision is that total government expenditures should not exceed total government revenues *plus* receipts from loans abroad. The government has decided not to resort to local borrowing for two reasons: to avoid expansion of credit and to make local savings available for private investment. It decided to maintain, and even raise expenditure on develop-

1. In 1953 and in the first half of 1954 there was a net outflow of private foreign capital of Rs 65 million as against an inflow of Rs 25 million in 1952.

2. From 20 July 1953 the price of rationed rice was raised from 25 cents to 70 cents a measure. It was subsequently reduced to 55 cents from 19 October, as the government obtained imports at lower price. It must be pointed out that there is still a small subsidy on rice and flour which is expected to be met out of the profits on sugar.

3. Such as changes in government food stocks and the deferring of payments on rice purchases to Burma and mainland China.

ment, and therefore to hold non-developmental expenditures under strict control. However, postponable maintenance expenditures, which were cut down in 1953/54, have been included in 1954/55.

The budget provides Rs 300 million for investment including economic development, a substantial increase from Rs 250 million in 1953/54. Economic and social service expenditures are maintained. The small proportion (only about 2 per cent) of the public expenditure devoted to defence has greatly helped the government to concentrate its efforts on social services and investment (including loans and advances) which take up respectively 27 and 30 per cent of total government expenditures.

The available funds for development were allotted as follows: First a major share of expenditure was allotted for fulfiling commitments on long-term projects already started and continuing into 1954/55. Next, the government decided to speed up where practicable the construction of projects started earlier, notably the Gal Oya Scheme. Finally, residual funds were allocated to important new projects including stage 2A of the hydro-electric scheme, a new fishery harbour, government housing, water supply and some minor irrigation schemes.

In view of the balance aimed at, and also of the expected comprehensive review of the tax system, the 1954/55 budget introduced only minor changes in taxation. Some relief was given to local industries and agriculture by reducing the import duty on specified capital goods and machinery required by them. Lower import duties were applicable to dairy and poultry farming equipment, marine diesel engines, and manure.

The method of taxing imported motor cars was changed. As it was considered unrealistic to tax cars on the basis of horse-power, it was decided to tax them on the basis of the landed cost. The duty on sports materials was lowered. There were only two changes in export duties, a reduction on pepper and an increase on cocoa. The net result of all these tax changes will be a net loss of revenue of only Rs 0.5 million.

Under the Colombo Plan, Ceylon has so far received external financial assistance amounting to Rs 30 million, of which over Rs 19 million was received in 1953/54. The Government of Ceylon has succeeded in raising a sterling loan of £5 million (Rs 64.5 million) in London, to be used for development expenditure. It has also successfully negotiated a 25-year loan of $19.1 million at 4.75 per cent interest from the International Bank for Reconstruction and Development to finance the external costs of stage 2A of its hydro-electric scheme. During 1953/55, Ceylon will receive Rs 16 million from Canada and Rs 5.7 million from Australia as grants under the Colombo Plan.

The effect of the new budgetary policy is reflected in the changes in public debt during 1954. In contrast to 1953 when there was a sharp increase in the total floating debt,[1] there was a marked fall in 1954. Treasury bills outstanding fell from Rs 190 million in December 1953 to Rs 105 million in October 1954; the central bank's holdings of domestic securities which had risen from about Rs 75 million to Rs 150 million during 1953, were reduced to less than Rs 20 million by September 1954. Central bank loans and advances to the government were also substantially repaid, as were the loans taken from semi-governmental agencies.

During 1953, the government issued two new loans for Rs 80 million of which about Rs 30 million was a conversion operation, and the remainder an addition to the funded debt. In March-July 1954, a 10-year 3.25 per cent loan was issued for Rs 70 million, of which about Rs 50 million represented a funding operation, only the balance being new money. The budget for 1954/55 would not require borrowing in the local market.

External payments crisis and budgetary policy

The heavy budget deficits of 1951/52 and 1952/53, referred to above, coincided with a serious disequilibrium in external payments, due to an increase of imports since 1951 together with lower export prices after the Korean-war boom. Ceylon's external assets had improved by about 50 per cent from Rs 882 million in June 1950 to a steady level of about Rs 1,200 million between March 1951 and January 1952. In February 1952 began a decline which reduced them to Rs 607 million by the end of 1953, about half the peak level of 1951.

The major proportion of the decline in foreign exchange reserves was accounted for by the merchandise deficit which, according to balance of payments statistics, was as much as Rs 425 million[2] in 1952 and 1953 combined. From 1951 Ceylon's level of imports was far higher than before the Korean-war boom and continued even after the export earnings had declined.

Budget deficits (caused largely by food subsidies which prevented imports from contracting to match the shrinking export earnings in 1951 to 1953) while aggravating the foreign exchange situation were not the primary cause of the payments problem. The reduced export earnings were the major cause of the payments crisis, and they were largely beyond Ceylon's control. The food subsidies indirectly contributed to the depletion of exchange reserves, because they released purchasing power (which would otherwise have been spent on food) for additional imports. A liberal import policy, undertaken to prevent the budget deficit from having inflationary consequences, aggravated the impact of this purchasing power on imports. However the food subsidies had not substantially increased the foreign exchange spent on food imports by the government[3]

Table 29 shows the changes in government food imports from 1949 to 1953. It will be seen that the quantity of rice imported increased negligibly except in 1950 which was before the serious deficits began.

1. Including Treasury bills, advances from the central bank and loans from semi-governmental agencies.

2. Increased payments for service items such as foreign travel, investment income, and remittances also contributed to the depletion of exchange reserves.

3. The fiscal burden of the subsidy on the government became heavier, because the imported price of rice increased while the sale price to the consumer remained the same until July 1953.

TABLE 29

CEYLON: GOVERNMENT FOOD IMPORTS, 1949-53

	Rice and paddy		Wheat flour		Sugar	
	thousand tons	million rupees	thousand tons	million rupees	thousand tons	million rupees
1949	403.2	226.5	159.5	82.5	125.9	52.8
1950	498.3	278.0	168.2	79.2	113.5	59.7
1951	402.1	236.2	217.6	115.5	145.5	102.0
1952	405.7	328.7	211.3	121.6	130.4	84.0
1953	410.1	323.5	291.6	163.6	143.9	71.2

Source: Ceylon Customs Returns.

Sugar imports increased significantly, but they were actually a source of profit to the government and were taxed rather than subsidized. The only significant increase in imports resulting from food subsidies appears to be that of wheat flour.

The expansion of imports of consumer goods from 1949 to 1954 is shown in table 30. There has also been an impressive expansion in the import of capital goods. If the food subsidies had been reduced earlier, and purchasing power had thereby been curtailed, it would have been possible to limit imports more strictly without causing inflationary effects.

An analysis of the actual increase of imports during the period 1949-1954 indicates that there was scope for selective import controls. Certain imports of a less essential character increased considerably in 1951 and 1952, probably as a result of increased incomes. The expanded imports of consumer goods as a whole contributed as much as Rs 317 million in 1951 and Rs 400 million in 1952 to the import bill as compared with 1949. It appears that considerable foreign exchange savings might have been made if lower real incomes had been accepted earlier by a reduction in food subsidies, and if selective import controls had been applied.

Chart 22

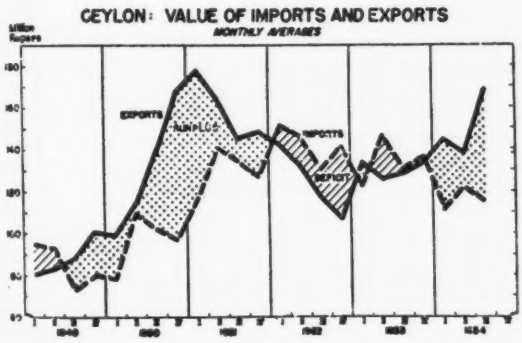


Chart 23

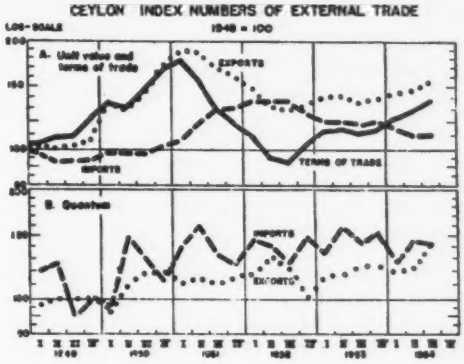


TABLE 30

CEYLON: IMPORTS CLASSIFIED BY TYPES,[a] 1949-54

(million rupees)

	1949	1950	1951	1952	1953	1954[b]
Consumer goods	735	841	1,052	1,136	1,094	960
Producer goods	273	294	458	522	482	482
Capital goods	109	113	205	244	219	156
Other producer goods and materials ..	162	178	250	266	258	237
Not separable	3	3	3	13	5	4
Not separable	21	32	49	44	43	36
Grand total	1,029	1,167	1,559	1,702	1,609	1,394

Source: Ceylon Customs Returns.

a. Rough classification only.
b. Annual rate estimated from nine month data.

TRADE AND PAYMENTS

In 1954 external assets stopped falling and then steadily increased. Between the end of December 1953 and the end of November 1954 they rose by nearly Rs 275 million, to Rs 882 million, because of increased export receipts and reduced imports. The proceeds of the £5 million London loan also added to the exchange reserves.[1]

Export receipts during the year were Rs 1,809 million, and the trade surplus was Rs 412 million. The increase in tea export proceeds and the decline in the value of imports by over Rs 200 million were the major contributory factors to this surplus.

The quantity of tea exported in 1953 was 152,000 tons; it rose in 1954 to 161,000 tons. The f.o.b. price of tea had steadily increased from Rs 2.30 per lb in 1952 and Rs 2.46 in 1953 to Rs 3.11 in 1954. The extent of the increase in price during 1954 can be seen from the f.o.b. prices per lb for the following months: January Rs 2.62, March Rs 2.94, June Rs 2.91, September Rs 3.24 and December Rs 4.17. The reason for the rise in price is primarily increased demand for tea in the principal consuming markets of the world, namely, the United Kingdom, the United States, the Middle Eastern countries and Scandinavia. The rise in the price of coffee, the London dock strike, and the floods in India which resulted in late deliveries also contributed to this buoyant demand.

Export proceeds from rubber declined, following a fall both in volume and in price. Rubber exports in 1953 were 95,000 tons valued at Rs 329 million, and the average f.o.b. price was Rs 1.54 per lb. In 1954 exports were 90,500 tons valued at Rs 276 million, and the average f.o.b. price was Rs 1.36 per lb.

The volume of export of coconut products which had improved in the second half of 1953 contracted sharply in the first half of 1954; export prices of coconut products feli off slightly during 1954.

Under the five-year trade agreement with mainland China, Ceylon had contracted during 1953 to purchase 270,000 tons of rice at a price of £54 per ton f.o.b. China ports and to export 50,000 tons of sheet rubber at a price of 32d per lb for grades 1 to 3 and 29d per lb for grades 4 and 5. This agreement worked satisfactorily. Ceylon's quota of rubber exports had been completed by early December 1953 and the deliveries of Chinese rice for 1953 had been completed in February 1954. Mainland China, with nearly 15 per cent of Ceylon's exports and 13 per cent of its imports, had thus become a major trading partner of Ceylon next only to the United Kingdom.

In September 1953, new prices were negotiated under the agreement. The price of rubber was fixed at the weighted average of 27.7d per lb for all grades in 1954 and 26.7d per lb in 1955 as against 31.7d in 1953. For rice the price agreed upon was £47 per ton f.o.b. China ports in 1954 and £39 per ton in 1955 as against £54 in 1953. The rubber price was until recently substantially higher while that of rice was substantially lower than the corresponding world market prices. The gain to Ceylon in 1953 in foreign exchange from these favourable prices has been estimated at Rs 95 million. The price agreed upon for rice in 1955 was considered by Ceylon to be higher than the probable market price in South-East Asia.

In September 1953, Ceylon concluded a four-year rice purchase agreement with Burma.[2] However, Ceylon had more than 120,000 tons of rice in stock at the and of 1953 owing mainly to the decline in off-ration sales and may have contracted to buy more rice than it needs, particularly if domestic production increases as scheduled. Actually, the stock position in 1954 was such that it allowed the government to re-export 15,000 tons in the first three quarters of the year.

Imports totalled Rs 1,400 million in 1954, representing a level lower than in 1951-53 but still about 35-40 per cent above that of 1949. It represented a decline of nearly Rs 210 million as compared with 1953. As usual, imports of foodstuffs were nearly 50 per cent of total imports, rice, wheat flour and sugar imports alone costing about Rs 430 million.

A volume of imports involving foreign exchange expenditure of over Rs 1,500 million per annum may prove difficult to finance, unless export prices and quantities are maintained at reasonably stable and high levels or, alternatively, external financial assistance becomes available. Rubber prices are uncertain, and a break in tea prices, if and when it occurs, would once again cause export earnings to fall. Imports may be high in spite of balanced budgets and the government may in time recognize the importance of restraining the volume of less essential items, if developmental imports are not to be sacrificed.

The Finance Minister in his budget speech said that although the Mission from the International Bank for Reconstruction and Development recommended a level of exchange reserves of Rs 450 million as the desirable minimum, he considered a minimum of Rs 650-750 million as not too high. Present reserves, though better than last year's, are not high enough yet to permit a sizeable decline.

MONEY, CREDIT AND PRICES

The total money supply had declined in 1953, but much less than external banking assets, because of an expansion of domestic credit to both the government and the private sector. The downward trend in money supply continued in the first four months of 1954 but was reversed from May onwards. At the end of September, the total money supply stood at about Rs 880 mililon, only slightly lower than at the end of 1952.

The major expansionary factor in money supply was the continuous increase in export earnings in 1954. The major offsetting factor was the improved budgetary position, the repayment of government loans and advances to the central bank and the substantial reduction in the volume of the floating debt. In addition, by means of the increased export duty on tea government is transferring to the exchequer a large part of the additional income accruing to the tea exporters. Thus the increase in money supply was only one-fifth of the increase in external banking assets. In the domestic private sector, between January and September 1954 there was a net contraction of money supply of Rs 43 million. This was due to a fall in Treasury bill sales and in the Treasury bill rate of interest, bringing about an appreciable increase

1. If adjustments are made for deferred payments in trade with Burma and mainland China, the improvement in exchange assets could be much smaller. Up to the end of May 1954, the exchange assets, so adjusted, were only Rs 592 million as against the unadjusted figure of Rs 759 million. See *Budget Speech, 1954/55.*

2. See *supra*, chapter 7 on Burma.

in time and savings deposits of commercial banks. There were, however, occasions when credit expansion occurred in the domestic private sector,[1] but these were mainly seasonal.

The limited size of the increase in money supply in 1954, due to the disinflationary effect of the budgetary policy, does not seem, at the moment, to be capable of giving rise to any dangerous inflationary tendencies. In fact, the Colombo cost-of-living index in 1954 remained stable with a slight downward trend, while the index of real wages of tea and rubber estate workers rose by 8 per cent in August and declined slightly in the succeeding two months. There is no evidence that disinflation has caused increased unemployment.[2]

TABLE 31

CEYLON: CHANGES IN MONEY SUPPLY, 1953 AND 1954

(million rupees)

	Dec. 1952 to Dec. 1953	1954 (Jan-Sep)[a]
Foreign banking assets	−132.6	+270.8
Domestic private sector	+ 12.5	− 45.3
Domestic government sector	+ 46.6	−170.6
Net change in money supply[b] ..	− 69.0	+ 55.0

Source: Central Bank of Ceylon Bulletin.

a. Signs indicate effect on money supply.
b. Differences in total are due to certain adjustments.

Interest rates, which central bank policy had generally raised in the latter part of 1953, moved significantly downward in 1954. The central bank had raised its rate from 2.5 to 3 per cent in July 1953 and supported the upward trend in money rates by open market operations. The Treasury bill rate rose sharply from 0.92 per cent in February to an average of 2.47 per cent in July and remained at 2.48 per cent for the rest of 1953. In June 1954, the central bank reduced its rate back to 2.5 per cent. With the continuous decline in the volume of Treasury bills outstanding, the Treasury bill rate fell from 2.48 per cent in February to 2.12 per cent in mid-May, 1.14 per cent in mid-July and remained at 0.81 per cent at the beginning of October 1954. Simultaneously, the yields on medium- and long-dated government securities, which had followed short-term rates upward in the latter part of 1953, also declined in the second and third quarters of 1954.[3] The easing of money rates was reflected further in the successive reductions by the Exchange Banks Association of its inter-bank call loan rate and fixed deposit rates during May-June, and again in September.

All these developments have made the commercial banks more liquid, with a better reserve position. In September 1953 the central bank reduced the required ratio of reserves of the commercial banks with the central bank to 10 per cent of their demand deposits, from 14 per cent to which it had been raised in January 1951. Commercial banks' excess reserves rose from about Rs 6 million in December 1953 to nearly Rs 50 million by September 1954.

The policy of the central bank has been not to restrict commercial bank credit to the private sector of the economy particularly for financing production and trade. It has also recommended legislation to enable the State Mortgage Bank and the Ceylon Savings Bank to extend more liberal credit facilities to private enterprise; to give the commercial banks the right to realize speedily on types of collateral pledged as security; and to reduce stamp duties on mortgages pledged to secure commercial bank advances.

CONCLUSION

In 1954 Ceylon's economy has been further readjusted to the collapse of the Korean-war boom; the remedial measures of 1953, particularly the policy of budget balance and the abolition of consumer food subsidies, are having the desired disinflationary effect. The improvement in 1954, due principally to the achievement of budgetary balance, the improvement in export earnings and the availability of external financial assistance, has enabled the government to maintain and even raise the level of developmental expenditures in 1954/55 without appreciable inflationary pressure or addition to the money supply. However, despite budgetary balance, imports are still some 30 to 35 per cent higher in value than before the Korean-war boom. Falling rice prices in 1954 help Ceylon's payments abroad; but increased developmental expenditures and a high level of imports cannot be simultaneously financed unless a reasonably high level of export earnings is maintained. The level of export earnings in 1954 has however been encouragingly high. The export of rubber to mainland China under the trade agreement may bring some stability of rubber earnings. Much will depend on the world demand for tea which has contributed so heavily to the better export earnings of 1954. A break in the demand for tea and in tea prices might reduce export earnings once again with unhealthy repercussions, as in 1952 to 1953, on both foreign exchange reserves and internal finance, unless counter-measures were taken. A policy of budget balance alone might not prove adequate since external reserves are still low.

In the meantime, the government has encouraged greater production of food—whose import accounts for almost one half of the country's total import—by means of various measures, particularly the producer food subsidy. Such subsidy so far appears to have been high in relation to the cost of food production elsewhere; its reduction appears desirable in the interest of maintaining relatively efficient domestic production of food on the one hand, and of reducing its burden on government finance on the other.

While the government has attached first importance to the improvement of food production and provision of power and transport, initial measures are being taken for the development of industries, with a view to reducing consumer goods imports. The government policy recently has been to encourage private enterprise for industrial development, but the supply of entrepreneurial ability is somewhat limited. More positive measures to mobilize domestic financial resources, which under the government's liberal import policy have been partly spent on the import of consumer goods, would help to further development.

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1. In January, and again in May and June, there was a net expansion in the domestic private sector, representing first the expansion of bank credit to finance accumulated rubber shipments, and later the large volume of tea exports. But these credits were subsequently liquidated.

2. The number of registrants at employment exchanges showed some increase during 1954, but this is no adequate index to the employment situation.

3. The decline in the yield of government securities is seen from the following figures:

	1½% Loan 1958	3% War Loan 1956-60 "A" Series	3% National Development Loan 1965-70	3% Sri Lanka Loan 1969-74
December 1953	2.83	3.97	4.07	4.29
September 1954	1.97	2.77	3.59	3.63

Source: Central Bank of Ceylon Bulletin.

Chapter 10. CHINA

Section 1. Taiwan

Taiwan province is a mountainous island largely covered by forests. Of a total land area of 3.6 million hectares, only 23 per cent is cultivated. In the 50 years (1895-1945) under Japanese occupation, it was developed primarily as a producer of food items such as rice, sugar, tea, banana, pineapple, etc., for export to Japan, in exchange for imports of chemical fertilizers and consumer goods, notably cotton textiles, although coal, power and food-processing industries were also developed, along with irrigation facilities and a system of highway and railway transport.

After restitution of the island to China in 1945, Taiwan's dependence on trade with Japan has been considerably reduced. In 1937, the year when the war between China and Japan broke out, Japan's share in Taiwan's export reached as high as 93 per cent; this was reduced to 46 per cent in 1953—eight years after the conclusion of the war.

The post-war decline in the volume of Taiwan's major exports of sugar and rice, however, has created serious payments problems. In 1954, while sugar export declined to 480,000 tons under the International Sugar Agreement, or over one third of the pre-1945 peak (1,312,000 tons in 1939), rice export fell much more sharply to 36,000 tons, or 5 per cent of the pre-1945 peak (634,000 tons in 1936), owing to the increase in consumption due to the rapid rise in population.

Taiwan's population, 6 million at the end of 1946, rose to 8.6 million in the middle of 1954 (not including the armed forces estimated at 600,000),[1] that is, by 43 per cent. Although over one fourth of this increase is stated to have been due to the influx of population from the mainland, the larger part of it is attributed to the high rate of natural increase resulting from a combination of high birth rate and low death rate. The rate of natural increase per thousand per annum, 24.63 for the period 1931-40, rose to 30.4 during 1947-53.

The budget deficits arising from large defence outlays since 1949 brought heavy inflationary pressure to bear on the economy of Taiwan, which had in part been alleviated by the continued aid from the United States. The US aid, together with the administrative and technical personnel from the mainland, helped in the rehabilitation of Taiwan's war-damaged economy, and has since 1953 assisted in the implementation of a four-year plan (1953-56). The plan targets have in general been successfully reached during the first eighteen months, and the consequent increase in production has contributed to a stabilization of prices.

1. The size of armed forces in Taiwan is given in "A general statement on the economy of China", 15 September 1954, prepared by the Ministry of Foreign Affairs, Government of the Republic of China (hereafter referred to as "A general statement").

LONG-RUN POLICIES

Since 1949, the National Government has attempted to equalize land ownership in Taiwan through rural and urban land reform and has promoted greater self-sufficiency through industrial development; it has also taken steps to transfer some of the public enterprises, taken over from the Japanese after the war, to private ownership and operation, and has passed laws and regulations to promote private investment, both foreign and domestic, in industrial development.

Land reform

In line with the constitutional principle of 'equalization of land ownership,' the Land-to-the-Tiller programm was put in force in 1953.[2] This measure allowed each landlord to retain the equivalent of no more than 3 hectares of medium-grade paddy field,[3] and all private tenanted lands in excess of this retention acreage were compulsorily purchased by the government and resold to tenants or farm hands who were tilling those lands on lease or contractual terms. The purchase and resale prices were 2.5 times the value of the annual main crop payable by tenant purchasers in 20 instalments within ten years. The programme was begun in February 1953 and completed in January 1954. A total of 143,000 hectares of tenanted lands were purchased from private landlords and resold to 195,000 tenant farmers. Seventy per cent of the government purchase price was paid in commodity bonds to be redeemed in rice and sweet potatoes in 20 instalments over ten years, the payment in sweet potatoes to be made by converting the crop into cash according to the market prices prevailing after each crop harvest; and 30 per cent in stock issued by the four government-owned enterprises—the Agricultural and Forestry Development Corporation, the Industrial and Mining Corporation, the Paper and Pulp Corporation and the Cement Corporation.[4]

Land reform measures have now conferred upon 383,000 farmer tenants, or 55 per cent of the total farming population, the ownership of 242,000 hectares of farmlands or 27 per cent of the total farming area.[5] The area under farm tenancy has therefore fallen to 24 per cent (including 9 per cent of public farms operated by farm labour), from 56 per cent

2. This is the third land-reform measure, the first, in 1949, being concerned with limiting rents to 37.5 per cent of the main crop on over a third of private farm lands, and the second, in 1951, with the sale of about a third of the public land to tenant cultivators.

3. The average size of farm was stated to be 1.25 hectares for 661,125 farms in 1951; *Source: General Agricultural Statistics of Taiwan* (Chinese-American Joint Commission on Rural Reconstruction, Taipei, 1953), p.3.

4. The purchase price was 1,272,855 tons of rice and 434,709 tons of sweet potatoes. By April 1954, over 84 per cent of the total purchase price had been paid in bonds and stocks to the landlords by the government; over 97 per cent of the purchase price payable by the cultivators had been paid in to the government; and over 76 per cent of the first and second instalments of the land bonds had been redeemed by the government.

5. This includes 36,000 hectares of farm land purchased by 66,000 tenant cultivators out of savings due to deductions in rent paid, as a result of the first land reform measure in 1949, and 63,000 hectares of public farm land purchased by 122,000 tenants as a result of the second land reform measure, in 1951.

before the reform. The effects of these measures have been shown in increased agricultural production and improved living conditions in the rural community in recent years.

To prevent concentraction of urban land ownership and to tax the urban land value increment for social development, the government introduced on 26 August 1954 the Regulations governing the Equalization of Urban Land Ownership which will affect about 10,000 hectares of urban land. According to these regulations, private landowners may each retain a maximum acreage of 0.1 hectare of city land, but are required to sell the excess portion within two years. A progressive land value increment tax, in addition to a progressive land value tax, is levied on increases in the value of urban land declared at the time of any transfer except by succession, with deduction from the assessed value of the value added by improvements.

Promotion of private enterprises

When Taiwan was returned to China on the Japanese surrender in 1945, factories formerly owned by Japanese nationals were taken over by the National Government of China. Some of these, including printing houses, match and food factories and some 60 coal mines, were sold to private owners. The rest were grouped under the management of 16 public corporations for the production of minerals (aluminium, copper, gold, petroleum, salt, etc.), alkali, caustic soda, fertilizer, cement, power, sugar, tobacco, paper and pulp, camphor, machinery and for ship-building. Four new corporations for the production of coal, steel, ammonium sulphate and cotton textiles were subsequently established.

Under the Land-to-the-Tiller programme four government corporations are to be handed over to landowners who will receive payment for the land partly (30 per cent) in the form of stocks of these enterprises. After the transfer of these corporations, which is expected to be completed by the end of 1954, other government enterprises will be sold to private interests on suitable terms. The government will retain industrial facilities directly connected with national defence like arsenals and petroleum refineries; important public utilities like the Taiwan Power Corporation; and important enterprises whose products are sources of foreign exchange earnings such as the Taiwan Sugar Corporation. It will launch certain public enterprises, according to the Four-Year Plan, in cases where private capital does not at first want to risk the undertaking, with a view to selling to private shareholders later.

Several measures to promote industrial investment have recently been announced. On 14 July and 1 September 1954 the government promulgated the Statutes for Investment by Foreign Nationals and by overseas Chinese, permitting remittance of annual profits up to an amount equivalent to 15 per cent of the capital and of the original capital after two years, the annual amount not to exceed 15 per cent of the original capital.[1] Draft revisions of the Income Tax Law, first promulgated in June 1950, are under legislative consideration, with a view to raising the exemption limit, lowering the tax rates on business incomes, and exempting for three years profits from approved new industries and expansions of existing industries.

1. Several government enterprises have received loans from American manufacturers and investment banks in the form of long-term credit for equipment purchases and technical services. Some American and Japanese investments have been received in connexion with the establishment of several new private enterprises. Many applications are received by the government from overseas Chinese, particularly those from Hong Kong and Macao, to establish factories in Taiwan.

Economic development planning

In October 1952, the government adopted a draft for A Four-Year Plan[2] for the Attainment of Economic Independence, which was renamed the Four-Year Plan for Economic Development in July 1953. To secure closer co-ordination and better implementation of the Four-Year Plan, the Economic Stabilization Board was reorganized, with four committees for the preliminary planning and deliberation on policy matters, and an Industrial Development Commission. Two other agencies have also helped in formulating the plan, and offered their technical and advisory services towards its implementation; they are the Chinese-American Joint Council for Rural Reconstruction (JCRR), and the Council for United States Aid (CUSA). However, the implementation of the Plan is entrusted to the central government ministries concerned and to provincial government departments and bureaus, in co-operation with national banks and private importers and exporters.

The Four-Year Plan proposes to "support industry with agriculture and develop agriculture with industry"; it however stresses industrial development rather than agricultural expansion, in view of the rather full utilization of Taiwan's limited agricultural resources, and the need to increase industrial production to replace imports a good part of which now have to be financed by US aid. The industries to be developed include manufacturing, transport and communication, mining and power, for which the production value (1952=100) is expected to rise to 131 in 1953, 140 in 1954, 158 in 1955, and 187 in 1956.

The production targets for 1954 (1952=100) were fixed as follows for major industries: power 115, chemical fertilizer 111, cotton yarn 151, sugar 153, petrol 151, cement 123 and paper 113. According to the returns for the first six months of 1954, the targets for all these items except sugar and paper have been reached or exceeded.[3]

The Four-Year Plan for Agricultural Development aims at increased production of (1) export crops, mainly sugar and rice; (2) import-replacing crops such as wheat, soybean and timber; and (3) food crops especially rice, sweet potatoes and wheat, fishery products, hogs and poultry, to meet the requirements of a rapidly growing population. Taking 1952, the pre-plan year, as 100, the targets for 1954 production of major agricultural items were fixed as follows: rice 112, sweet potatoes 124, fishery 119, draft cattle 104 and hogs 111. According to the estimates for 1954, all these targets have been reached or exceeded.

The annual targets are worked on a yearly basis subject to frequent revisions. The government has announced the production and service goals for 1954 as proposed by the Economic Stabilization Board, and will soon announce similar goals for 1955.

2. "In order that there may be a four-year plan constantly in operation, a plan for the fifth year will be drawn up after the plan for the first year has been carried out, and similarly a plan for the sixth year will be drawn up after the plan for the second year has been carried out. Therefore, although this Programme is nominally for a fixed period of four years only, actually it will be continued after the lapse of the four-year period." (Abstract of the Industrial Programme under the Four-Year Economic Development Plan, published pending formal government approval in *Industry of Free China*, September 1954, by the Industrial Development Commission, Taipei.) The Four-Year Plan is therefore a resources plan rather than a time plan.

3. It is expected that twenty kinds of new industrial products including rayon, plastics, aviation petrol, diesel engines, aluminium foils, etc. will be produced locally at the end of the four-year period.

Funds for the financing of the Plan are to be derived from current government revenues and loans from the Bank of Taiwan, as well as from the United States aid. Yearly estimates have been worked out for the original plan period of foreign exchange expenditures and of receipts from export proceeds and from the United States aid. However, the United States aid disbursements in 1953, in terms of foreign exchange, were only 65 per cent, and in 1954 are expected to be 83 per cent of the figures assumed in the Plan. As a result, difficulties are being encountered in attaining the balance-of-payments goals originally laid down. Again, the possibility of balancing the government budget is based on the assumption that expenditure will not exceed the 1952 level and that there wil lbe increased tax revenues from the increased agricultural and industrial production. No annual estimates of increased revenue have, however, been worked out.

PRODUCTION AND TRANSPORT

Since the end of the war and especially since the National Government of the Republic of China moved to Taiwan in late 1949, agricultural and industrial production in Taiwan has increased rapidly owing to the influx of technical and administrative personnel from the mainland, continued United States aid, and the government's determination to raise production through the Four-Year Plan.

Agricultural production

Seasonal concentration of rainfall on Taiwan's mainly coastal arable land and soil deficiencies in organic matter make crop production, particularly of rice and sugar, dependent on irrigation and chemical fertilizers, in which rapid progress has been made since 1945. Steps have also been taken for seed improvement and pest control, which are also essential to increased yields of rice, the staple food crop, as well as other crops.[1]

The increase in *rice* production from the pre-1945 peak of 1.40 million tons (1938) to 1.64 million tons in 1953 and 1.70 million tons in 1954 has helped to meet the expanding requirements of a growing population; it was made possible, however, only by the sacrifice of nine-tenths of the rice exports, which fell from the pre-1945 peak of 684,000 tons (1936) to 59,000 tons in 1953, and to 36,000 tons in 1954. This drastic fall affects Taiwan's exchange earnings most seriously, especially since it cannot be compensated by an increase in the other major export, sugar. Steps are being taken to increase the production of other carbohydrates for local consumption, notably sweet potatoes and wheat flour, so that more rice can be spared for export.

Production of *sweet potatoes* has been doubled during 1945-1953, from 1.17 million tons to 2.28 million tons; it reached 2.32 million tons in 1954. To make the sweet potato chips keep better, an effort is being made to provide adequate drying facilities after harvest.

For climatic and other reasons, *wheat* production in Taiwan was almost non-existent before 1945, but under the encouragement of the government it has grown from 735 tons in 1945 to 14,000 tons in 1953, and is expected to rise to 15,000 tons in 1954. Wheat flour has been in demand after 1945 from the many northern soldiers in the armed forces and northern immigrants in the civilian population.

With the recent decline in export of rice, Taiwan's second major export, *sugar*, has increasingly become its main source of foreign exchange earnings. Taiwan's sugar production, which reached 882,000 tons in 1953, declined to 722,000 tons in 1954.[2] Exports of sugar in 1953 were 864,000 tons, but fell to 480,000 tons in 1954.[3] The International Sugar Agreement, effective for five years from 1954 to 1958, provides an export quota of 600,000 tons to Taiwan, with a working initial quota for 1954 of 480,000 tons.

As against this total export quota of 480,000 tons and an estimated local consumption of around 70,000 tons, Taiwan has a sugar refining capacity of one million tons annually. Thus the sugar mills have to contract the scale of operation in 1954,[4] with increase in overhead cost, and close down in some cases. To reduce cost it is necessary to make more economical and effective use of by-products—*e.g.* by manufacture of alcohol and yeast (as a feed substitute) from molasses, and of paper and pulp from bagasse.

Fishery production exceeded the pre-1945 peak (in 1940) of 120,000 tons when it reached 122,000 tons in 1952; in 1953 it rose further to 131,000 tons. The annual production in 1954 reached 153,000 tons. The increases are attributed to better fishing methods, more fishing vessels especially powered ones, and a larger area under pisciculture.

Livestock production has increased through better control of diseases and improved veterinary and quarantine services. The pre-1945 peak has been exceeded for hogs, goats and poultry, although the estimate of 400,000 head of draught cattle, chiefly water buffaloes, in 1954 is still below the pre-1945 peak (in 1910) of 480,000 head. Greater hog production is being encouraged to provide more pork for the growing population and more manure for paddy and other fields.

Forests, which cover 64 per cent of Taiwan's land area, may help, if properly developed, to preserve the soil from erosion, retain the water for farm irrigation, and prevent damages from floods and hurricanes. During the past three years the government has undertaken a reforestation programme calling for nearly 25,000 hectares of new planting annually, and has established, for soil conservation, 3,500 hectares of coastal windbreak forests and 3,800 km of farm windbreaks, thus saving or reclaiming 280,000 hectares of coastal farming land.

The pre-1945 peak in production of logs, lumber and railway ties, reached in 1940, has not yet been regained, despite the recent rise in the recorded production of timber and fuel wood on public and private lands from 632,000 cubic meters in 1952 to an estimated total of 893,000 cubic meters in 1954.

1. For a summary of improvement in these fields see *Economic Survey of Asia and the Far East, 1953*, p.50.

2. The pre-1945 peak in Taiwan was reached in 1939, with a total sugar production of 1,374,000 tons and a total sugar export of 1,312,000 tons.

3. *Central Daily*, Taipeh, 5 January 1955.

4. The reduction in sugar export quota has already resulted by June 1954 in the closing down of 7 mills out of a total of 33 (4 permanently scrapped) and dismissal of 5,000 workers. Diversion of sugar-cane fields to cultivation of other crops, *e.g.* dry paddy, sweet potatoes, and peanuts, which is considered to be easy, has already begun.

Industrial production

Industrial production has grown rapidly in recent years, with the general index rising by 36 per cent in 1953, and 12 per cent in 1954 (annual rate based on returns for the first half of 1954). The most rapid increase was in manufacturing industries (40 per cent in 1953 and 16 per cent in 1954), mining and quarrying increased less, and public utilities least. Among the manufacturing industries, the most remarkable expansion of production is that of the textile industry (mainly cotton textiles), by 40 per cent in 1953 and by 26 per cent in 1954. Between 1950 and the first half of 1954, the general index of industrial production more than doubled, from 175 to 362.

Imports of industrial eqquipment and materials, made possible by local exchange earnings and United States aid,[1] are important for Taiwan's industrial expansion. For the period July 1950 to 31 August 1954, US aid to Taiwan industries already arrived reached $54.2 million, mostly for electricity ($15.3 million), communications and transport ($13.5 million), chemicals and fertilizers ($7.2 million), etc. The domestically financed imports of capital goods during the calendar years 1950-53 are estimated at $68.3 million, about 16 per cent of the total domestically financed imports during the period. In 1953, whereas investment-type imports rose by 16 per cent above 1952, non-investment type imports fell by 12 per cent.[2]

Most State-owned and -operated industries in Taiwan have secured loans from the Bank of Taiwan at low interest rates, but on the other hand major government enterprises, notably the Taiwan Sugar Corporation, formerly had to surrender their foreign exchange earnings to the bank at the official rate which was lower than the prevailing certificate rate. The Bank of Taiwan's interest rate on loans to industries has been 1.2 per cent per month since April 1953, compared with 3 per cent per month for commercial banks.

Next to Japan, Singapore and Hong Kong, Taiwan ranks highest in the ECAFE region in per capita *power* output.[3] Nine-tenths of the power generated were hydro-electric, and the remaining tenth thermal.

The pre-1945 peak in power production, 1,195 million kWh, was exceeded in 1951 when the output reached 1,285 million kWh. It rose to 1,420 million kWh in 1952 and 1,564 million kWh in 1953, and is expected to reach 1,812 million kWh in 1954.[4]

The installed capacity, 289,000 kW at the end of 1951, rose to 390,000 kW in July 1954. Important power transmission lines linking together the power systems of east and west Taiwan have been installed and the construction of a sub-station in Hsinchu completed.

Chemical fertilizers, which are essential to crop production especially rice, has witnessed rapid recovery in post-war years. Since 1950 the government-operated Taiwan Fertilizer Corporation has enlarged three of its subsidiary plants and restored a fourth.[5] As a result, production increased rapidly from 5,000 tons in 1945 to 164,000 tons in 1953, and to 168,000 tons in 1954, although imports were still 60 per cent of domestic consumption up to 1953, and about equal to domestic production during the first half of 1954. The domestic production of 168,000 tons for 1954 is greatly in excess of the maximum pre-war production (38,000 tons); it has helped greatly to reduce foreign exchange outlay by a cut in imports. The share of chemical fertilizers in total imports, it may be noted, had fallen from 16 per cent in 1950 to 5 per cent during the first half of 1954.

Owing to typhoons, heavy rainfall and insect pests, etc. Taiwan used to produce little cotton and depend upon imports of *cotton textiles* from Japan to meet local requirements. Cotton textile production with imported materials is now being encouraged by the Government with a view to conserving exchange resources by reducing imports; it has had the most spectacular expansion of any industry since 1945. The number of spindles, only 10,000 in 1945, rose rapidly, at the end of the calendar year, to 50,000 in 1950, 98,000 in 1951, 130,000 in 1952 and 165,000 in 1953; in 1954, a total of 179,000 spindles were reported to have been installed for production. Correspondingly, cotton-yarn production rose from 3,100 tons in 1950 to 7,300 in 1951, 13,600 in 1952, 19,500 in 1953 and 10,600 during the first half of 1954. Cotton-yarn imports were reduced from 2,200 tons in 1950 to only 48 tons during the first half of 1954. Cotton-cloth production has also increased from 40 million metres in 1950 to 130 million metres in 1953 and 83 million metres during the first half of 1954, with a corresponding decrease in cotton-cloth imports from 58 million metres in 1950 to 20 million metres in 1953 and 4 million metres during the first half of 1954. As a result of the expansion, the current production capacity can take care of local consumption requqirements, with a possible margin for export.

Transport

The *railway* network in Taiwan has two independent and separate systems: an east-coast line of 176 km of single track (gauge 0.762 m) connecting Hualien Harbour and Taitung; and a west-coast network (gauge 1.067 m) of 774 km of main and branch lines.[6]

In 1953 passenger traffic (P-Km) increased by 8 per cent over 1952, and in 1954 by 9 per cent over 1953. Freight traffic (T-Km) also increased in 1953 by 15 per cent over 1952 and in 1954 by 8 per cent over 1953.[7]

Major development work in 1954 covers the increased use of diesel-powered railcars for the short-haul commuter services with a view to reducing operating cost, and the installation of relay interlocking plants and automatic signals to increase track capacity and operational safety.

At the end of June 1954 there were 15,600 km of provincial, county and rural *roads* in Taiwan. Regular bus services are maintained on 1,700 km of trunk lines and 4,500 km of county and rural roads. There are altogether 3,300 passenger motor vehicles, 1,900 buses and 4,300 trucks. In 1953 passenger traffic (P-Km) increased by 27 per cent over 1952, and in 1954, by 35 per cent over 1953.[8]

1. The Counterpart Fund from the sales proceeds of aid imports has been used in defraying local expenses of construction of plants.
2. Estimate by Norman Wycoff, Economic Analyst, FAO Mutual Security Mission to China, in article on "Taiwan's Economic Growth and Progress Toward Self-Support", published in *Industry of Free China*, September 1954.
3. The per capita power output in 1953 was 640 kWh in Japan, 250 kWh in Singapore, and 19 kWh in Hong Kong and Taiwan, and 18 kWh in India.
4. Annual rate based on returns for first six months.
5. Two important new fertilizer plants financed through US aid are being planned, with the designs soon to be completed.
6. The railway statistics refer to those under the Taiwan Railway Administration, but exclude those for private railways, mainly for sugar transport, and forest railways.
7. For 1954, on basis of returns for the first six months.
8. *Ibid.*

Major development work in 1954 covers the construction of bituminous pavement of the north-south trunk line, improvement of bridges and culverts and the increased use of diesel buses and trucks.

The total registered tonnage of *shipping* at the end of June 1954 was 354,000 tons. The volume of traffic carried by Chinese ships in 1953 was 2.68 million tons and that of 1954 is estimated to be about 3 million tons.

TRADE AND PAYMENTS

In 1937 Japan accounted for 93 per cent of Taiwan's exports and 86 per cent of its imports; Taiwan's trade balance with Japan was positive during most pre-war and war years.

The restoration of Taiwan to China has changed its external trade position. Because imports have increased more than exports it has not been able to balance its trade. The trade deficit, $0.8 million in 1949, rose to $19 million in 1950, $45.2 million in 1951 and $69.2 million in 1952. It dropped to $30.2 million in 1953 but reached $78.1 million in 1954.

While sugar and rice continued to be Taiwan's major foreign exchange earners in post-war years, there has been a significant shift in their relative importance. The share of sugar in total export value rose from 42 per cent in 1936 to 67 per cent in 1953 while the share of rice fell from 32 per cent to 11 per cent during these years. The high post-war rate of population increase and the consequent expansion in domestic food requirements are mainly responsible for this change in Taiwan's pattern of trade.

In the first ten months of 1954 sugar alone accounted for 80 per cent of the total decline in the value of exports. In the meantime, imports expanded by 17 per cent to meet the needs of the Four-Year Plan. The industrial development programme has, however, already reduced some imports that domestic production can replace, notably wheat flour, cotton goods and chemical fertilizers.

The trade deficit has largely determined the *payments* situation in post-war years. According to the International Monetary Fund, the payments deficit reached $93.2 million in 1950, was reduced to $51.6 million in 1951, increased again to $95.3 million in 1952, and fell slightly to $80.9 million in 1953. It rose again to $48.6 million during the first half of 1954. In 1950 the large deficit was partly offset by grants and some net remittances from Chinese overseas, leaving a net deficit of $61.5 million which was met by a decline of monetary gold holdings and short-term assets. From 1951 to the first half of 1954, the current deficits were fully offset by grants and net incoming remittances.

Changes in trade and exchange control

The balance of payments difficulties necessitated the imposition of trade and exchange control. Upon the removal of the National Government to Taiwan in 1949, a system of trade and exchange control was set up simultaneously with the monetary reform of 15 June.[1] Imports of non-essentials and of specified categories of commodities which could be locally produced in sufficient quantities were prohibited while for essential imports exchange was provided by the government at the official rate.

A multiple exchange rate developed, through the requirement that foreign exchange from exports had to be surrendered in part against domestic currency converted at the official rate of exchange and in part against exchange certificates, the proportions varying with the nature of exports. There were several changes in the official and certificate rates. On 5 January 1953 there remained the official rate of $10.30 to the dollar, and the certificate rate of NT$15.55 for buying and NT$15.65 for selling. Government exports of sugar and rice were, however, settled 80 per cent at certificate rate and 20 per cent at official rate.

On 12 September the import-exchange system was simplified. The 100 per cent deposit required at the time of application for import licences was abolished, and replaced by a 20 per cent defence tax on most private imports; imported industrial supplies, equipment and raw materials allocated directly to final users were however exempted.

Effective 1 January 1954 the requirement for the settlement of sugar and rice export proceeds was abolished, all receipts and payments in dollars being henceforth settled at the certificate rate of NT$15.55 for buying and NT$15.65 for selling.

1. The reform replaced the Taiwan dollar by the new Taiwan dollar at the rate of NT$1=T$40,000 and fixed a maximum limit of note issue at NT$200 million.

TABLE 32

CHINA: EXPORTS AND IMPORTS, TAIWAN 1950-54

(million US dollars)

Year	Exports	Imports			Balance
		Commercial	US aid	Total	
1949	33.9	26.0	8.7	34.7	0.8
1950	93.1	91.6	20.5	112.1	19.0
1951	93.1	84.3	54.0	138.3	45.2
1952	119.5	115.2	73.5	188.7	69.2
1953	129.8	100.6	59.4	160.0	30.2
1954	97.8	110.2	65.7	175.9	78.1

Source: Data on exports and commercial imports are from the Bank of Taiwan, those on US aid imports are from the Council of US Aid (CUSA). See *Industry of Free China*, December, 1954, (Industrial Development Commission, Economic Stabilization Board, Taiwan). These figures do not agree with those arrived at by the International Monetary Fund, as shown in special table in the section on "Asian Economic Statistics" at the end of the present *Survey*. The discrepancies are probably due to the various interpretation of "common use" items, which are sometimes included in economic aid and sometimes classified as military aid by different sources.

per dollar. This gave, *inter alia*, larger domestic currency receipts to sugar exporters who were faced with a decline in prices and foreign demand.

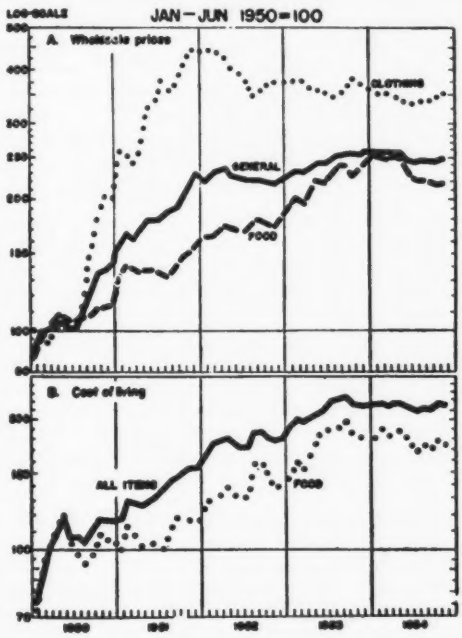
Import licensing and quantitative exchange controls in Taiwan have helped to restrict non-essential imports[1] and together with United States aid, largely contributed to alleviating the severity of the payments deficit. Imported industrial supplies, equipment and raw materials were thus available for rehabilitation and expansion of production. The exchange profit[2] accruing to the Bank of Taiwan has largely been transferred to the Taiwan Sugar Corporation, to neutralize the effect of the penalty export rate formerly applied to its sugar exchange proceeds.

FURTHER STABILIZATION OF PRICES

Increased production, continued United States aid imports, and other factors have helped to stabilize prices in Taiwan. In Taipei, the annual rate of increase in wholesale *prices*, 306 per cent in 1950, fell to 65 per cent in 1951, 23 per cent in 1952, 9 per cent in 1953, and 2 per cent in 1954; while the annual rate of increase in retail prices, 305 in 1950, fell even more, to 57 per cent in 1951, 17 per cent in 1952, 5 per cent in 1953, and 0.3 per cent in 1954.

Chart 24

CHINA: INDEX NUMBERS OF PRICES IN TAIPEI



The rice price, which tended to rise annually from March to May, when the preceding year's stocks were running out and the new crop had yet to be harvested, actually fell in 1954,[3]—an unprecedented event for the island—because of abundant stocks under government control and an anticipated bumper crop. The wheat flour price also fell, owing to increased production, from NT$74 per bag of 22.25 kg in January to NT$67 in July. Other consumer goods also fell in price, especially cotton cloth, though fuel and light, and building materials rose a little, owing mainly to the increasing demand of a growing population. With more stable prices, interest rates on loans by the Bank of Taiwan and commercial banks have been reduced.[4]

The government's fiscal policy has also helped price stability. Although budget figures for 1954 are not made available to the public, it is officially claimed that "through consolidated efforts in raising more revenues and in limiting and cutting down expenditures, the Central Government has succeeded in reducing *budget deficits*, which amounted to 24.2 per cent of total expenditure in 1950, 10.8 per cent in 1951, 3.6 per cent in 1952 and 1.3 per cent in 1953."[5] For the fiscal year 1954, which covers the first six months of the year in accordance with the government's decision to revert to the old fiscal year from July to June which prevailed between 1914 and 1938, the estimated deficit is 7 per cent of the total budget of NT$1,326 million. For the fiscal year 1954/55 (July 1954 to June 1955) the estimated deficit is further reduced to 4 per cent, of a total estimated budget of some NT$2,875 million.

The budget deficit arose mainly from heavy defence *expenditure*, whose proportion in the total expenditure had however fallen from 75 per cent in 1950 to 55 per cent in 1951, but had risen slightly to 56 per cent in 1952 and 58 per cent in 1953.[6] For 1954, for which budget figures are not available, the proportion is not likely to undergo any significant change

To increase *revenue* for the fiscal year 1954/55, the government has relied on the vigilant collection of taxes including customs duties, the 20 per cent defence tax on most of the imported commodities and outward remittances, and the increased sales of the wine and tobacco monopoly; but very little on increased rates of taxes. Owing to the bumper crop for the first crop of rice in 1954, the market price of rice was much lower than that during the same period in 1953. The government's collection price for the surplus holdings of rice of peasants and landlords, in excess of their allowable deductions and taxes in kind, was about 97 per cent of the market price for the first crop in 1954, whereas for 1953 it was 70 per cent. This is equivalent to reducing a hidden tax paid by the peasants. Generally speaking, the tax policy of the government in the past few years has been consistently to lighten the tax burden on the peasants.

1. Thus during 1952, the value of import applications aggregated $291 million, but after examination by the Preliminary Screening Committee for Imports, and then review and approval by the Production-Finance Committee for foreign exchange allocations, only $63 million or 22 per cent was approved.

2. It is estimated that during 1952, for instance, the exchange operations of the Bank of Taiwan brought to it an exchange profit of NT$156 million, over nine-tenths of which were transferred to the Taiwan Sugar Corporation.

3. The price per hectolitre of first-grade rice in Taipei, NT$261 in January, rose to NT$272 in February, but then fell steadily till it reached NT$190 in July.

4. Between July 1953 and July 1954 monthly interest rate have fallen as follows: Bank of Taiwan from 1.95 to 0.99 per cent for overdrafts, and from 1.65 to 0.90 for discounts; commercial banks, from 3.45 to 1.98 per cent for overdrafts, and from 3.15 to 1.95 per cent for discount. When, on 1 September 1953, the 20 per cent defence tax on most private imports replaced the margin deposit system, importers no longer needed domestic currency loans to make the marginal deposit, and this produced the desired effect of lowering the interest rate in the money market.

5. "A general statement", *op.cit.*

6. *Economic Survey of Asia and the Far East, 1953* p.132.

CONCLUSION

With the influx of a large population and an armed force of over half a million from the mainland together with a high natural rate of increase in recent years, total population increased from 6 million in 1946 to over 9 million in 1954. The pressure of population on resources, especially food, is increasing. Population pressure reduces the availability of exportable rice which, together with sugar, used to constitute the major items of export. The annual export of sugar, in the meantime, is being reduced under the International Sugar Agreement concluded in 1953, from the pre-war peak of 1.3 million tons to an average of 600,000 tons for a period of five years beginning 1954.

In the circumstances, the imbalance between production and consumption, between imports and exports, and between government revenue and expenditure, especially since 1949, has made it necessary to depend on the United States aid imports to overcome the balance-of-payments difficulties and alleviate inflation.

The government, anticipating the possibility of a reduction and eventual discontinuation of such external aid, has since 1953 been implementing a four year programme for economic development, with emphasis on industrial rather than agricultural expansion, because of limited agricultural resources. In agricultural development, stress is laid on increased food production especially rice, to meet the requirements of a rapidly growing population. Both industrial and agricultural production have shown rapid growth, exceeding the Plan targets for all commodities except sugar and paper in 1954.

With the scale of its military outlay, it would be indeed difficult if not impossible for Taiwan to avoid budgetary deficits and serious inflationary pressure. United States aid is a stop-gap measure, but without it economic development would hardly be possible. Perhaps a greater tax burden on the rural population, whose standard of living has improved under recent land reforms, might help to finance a part of the island's economic development.

Section 2. MAINLAND

NATURE OF STATISTICS AND ESTIMATES[1]

At the time when the Central People's Government assumed control over mainland China in 1949, statistics were in a state of confusion. As reportedly "statistical report forms had been issued indiscriminately" a strict system of examination and approval was introduced. In September 1953 the government directive stated that "many statistical forms are complex in items, duplicate each other and even present absurd and childish demands, thus wasting considerable manpower and resources, with the result that statistical figures are thrown into increasing confusion." The State Statistical Bureau, as the highest statistical body, was then charged with the task of drafting "Provisional Regulations Governing the Preparation and Approval of Investigation and Statistical Forms" for approval and issue by the Government Administration Council (*i.e.* the cabinet).[2]

With regard to the statistics of agricultural production, the Ministry of Agriculture of the Central People's Government stated on 4 February 1953 that "owing to the working personnel of some places being heavily imbued with the thought of meritism and to the lack of thorough investigations, false reports not based on verified facts were prepared out of bureaucratism, with the result that the production records were exaggerated and the awards given to bogus models."[3]

The official criticism and rectification of the shortcomings of statistics on mainland China have been accompanied by official statements regarding "great progress in statistical work throughout the country," through the establishment of statistical offices at the national, provincial and municipal levels, the introduction of a unified system of statistical forms and computation methods, the collection and analysis of important data relating to the national economy. These improvements, however, are still found by the authorities to be inadequate. and attention is drawn to the need for the gradual establishment of scientific statistical methods for the formulation and implementation of State plans.[4]

Most published statistics on mainland China are not comparable with series for other countries, as they are not usually given in absolute terms except for a few items like foodgrains and raw cotton. In this regard, however, it may be noted that, in the *Report on Government Work* by Premier Chou En-lai to the first meeting of the first session of the First National People's Congress (hereafter referred to as *Chou's Report*), delivered on 23 September 1954, production estimates in 1954 were given in absolute terms for power, coal, iron and steel, machine tools, cement, cotton yarn and paper. The budget statements also provide actual figures and estimates for government expenditure and revenue.

While annual increases of production have been reported in the form of percentage increases over a previous year, in many cases the percentage increases are computed over the "historical peak." Since this peak was usually reached in 1943 in the North-East[5] but in 1936 in China proper, its magnitude for the mainland as a whole presumably represents the sum of two peaks in different years. In 1950, Kao Kang, then Chairman of the North-East Regional Government, rendered a report on economic development in that region to a Communist Party conference. In a significant incidental remark, he explained that his base year (1943) data, in terms of which his percentages for the North-East in 1949 had been

1. Attention is called to the following circumstances: (1) Since the usual sources of information, i.e. consultation with government officials and supply of materials by the government concerned, were not available to the Secretariat, it was necessary, in preparing the present section on mainland China, to rely largely on official news releases and other publications in which official statistics and estimates are given. (2) In the judgment of the Secretariat, the data referred to are subject to qualification as noted in this sub-section in particular.
2. New China News Agency (hereafter abbreviated as NCNA), Peking, 6 Septembr 1953 on "GAC Directive on Disposal of Existing Statistical Forms and Prohibition of Indiscriminate Issuance of Investigation and Statistical Forms".
3. "Ministry of Agriculture of Central People's Government issues notices on the check-up and disposal of false reports of bumper crop records", (NCNA, Peking, 7 February 1953). In an editorial in the *People's Daily* (in Chinese), Peking, dated 18 October 1953 instances were cited of "reports which deliberately conceal mistakes, falsely present production achievements and even fabricate model workers and new records". It is not known as to whether crops are estimated by biological crops (which the USSR has used since 1933 and which gives larger returns) or by barn yields, as was the case in China prior to the establishment of the Central People's Government. (See Lazar Volin, *A Survey of Soviet Russian Agriculture*, US Department of Agriculture, Washington, D.C., p. vii).
4. "Further strengthen statistical work during the period of economic construction", *People's Daily* editorial, 31 March 1954.
5. Including the provinces of Liaoning, Kirin, Heilungkiang and Jehol.

computed, excluded "enterprises which had been demolished, and which could not or could only with great difficulty be rehabilitated."[1] In addition, many of the production statistics are expressed in percentages with 1949 as the base, 1949 being a year of extensive civil war when production was extremely low and statistics, not being systematically collected, were least reliable.

As in several other countries of the region, the published budgetary figures are not sufficiently detailed for the purpose of economic analysis. While major items of expenditure and revenue are given, though not on a strictly comparable basis from year to year, there is only a rough break-down into a few groups. Also, accounts for an earlier year are revised in subsequent budget statements, showing a budget deficit instead of a budget surplus.[2] In this connexion, it may be noted that unlike many other ECAFE governments, the Central People's Government includes as revenue such non-budgetary items as surplus from the preceding year,[3] and bond issues as well as special levies (*e.g.* items such as expropriations and donations). The receipts from State enterprises include not only profits and taxes, but also depreciation. Finally, the budgetary figures tend to stress the importance of receipts from and payments to State enterprises for development by minimizing items classified as military expenditure.[4]

The percentage figures are used for comparison of (1) actual and planned quantities in the same year, (2) quantities between two consecutive years, or (3) pre-1949 peak and quantity for any subsequent year; they are subject to frequent revisions, though relatively more authoritative figures are given in the annual communiques released by the State Statistical Bureau, with a usual time lag of over eight months.[5]

LONG-RUN PROBLEMS

Mainland China has an agricultural economy with a large population but a small *per capita* area of cultivated land. The new census, taken on 30 June 1953, puts the total population at 583 million. This population, according to a recent sample survey of 30 million, is increasing at an annual rate of 2 per cent, thus adding a new population of almost 12 million each year.[6]

According to a pre-war (1934/35) government survey of 752,865 peasant holdings in 87 districts scattered throughout 11 provinces, the average size of peasant holdings was 15.8 *mow* or 1.05 hectares,[7] a little below the average pre-war farm size of 1.1 hectares for Japan, a country known for its high density of population.[8] In 1954, the cultivated land area is stated to be 107 million hectares, giving an average farm of about the same size.[9]

The recent land reform under the Central People's Government has redistributed the cultivated land more evenly though slight variations in size still prevail. The size of a peasant farm is, however, too small for optimum land utilization; and to improve per acre and *per capita* agricultural productivity, co-operative farming is being extended. The establishment of mutual aid teams is a first step, the second one being the setting up of agricultural producers' co-operatives. In both cases, there is a pooling of resources including farm labour, implements, draft animals, etc., to varying extent,[10] with arrangements for remuneration in accordance with the extent of contribution. Such an arrangement, if satisfactorily implemented with sufficient incentives for production, could lead to greater production of agricultural crops, mainly foodgrains.[11]

The pressure of population on land has led to concealed unemployment, as it has in many other countries. The intensification of cultivation, however, has limited the degree of rural under-employment to an average of no more than two months in the year. However, in spite of the long hours of work, net product per worker is extremely low because of the small area of cultivated land and the shortage of capital. Immediately after the land reform which liquidated the landlord class, peasants found it difficult to carry out farming operations, as provision of credit and necessary agricultural requisites including seeds, draft animals, farm tools and fertilizer, formerly undertaken by the landlord class, could be taken over by the State only gradually. Co-operative farming, which has led to more effective utilization of the existing rural manpower, has also aggravated the problem of rural surplus labour.[12] In 1952 and 1953, a fairly extensive

1. *Report at the First Conference of Representatives of the Chinese Communist Party in the North-East*, Mukden, 13 March 1950, quoted in *Economic Bulletin for Asia and the Far East*, November 1953, p. 18, footnote 1. Thus, for instance, pig iron production in the North-East in 1949 is stated to be 172,000 tons which, according to Kao Kang, is equal to 42 per cent of the peak output reached in 1943. However, in 1943 the actual output of pig iron was 1,710,000 tons, not 409,520 tons which Kao Kang used as the base year (1943) figure in computing the above percentage for 1949. In other words, he had excluded production for 1943 from those enterprises which were subsequently demolished but not yet rehabilitated by 1949. The question arises whether, as first chairman of the State Planning Commission established in late 1952, Kao Kang applied the same method of computing percentages for production of different items in subsequent years.
2. Jung Tze-ho (Vice-Minister of Finance), in his "Summary of 1950 financial work and policy and tasks for 1951" (*People's Daily*, 28 March 1951), stated *inter alia*, that "after the above receipts and payments were set off, red (*i.e.* deficit) figures occupied 16.7 per cent of the total actual expenditures". On the other hand, Po I-po (Minister of Finance), in his "Report on the 1953 State Budget", delivered at the 23rd session of the Central People's Government Administration Council on 12 February 1953 (NCNA, Peking, 17 February 1953), gave a budget surplus amounting to 2 per cent of total actual expenditure for 1950. Such a difference might have been due not only to a difference between preliminary and final returns but also to changes in accounting practices, such as the transfer of 1950 tax arrears collected in 1952 to the 1950 revenue.
3. This is normally treated in other ECAFE countries as part of the cash balance at the beginning of the current budget year.
4. Ma Yin-chu (member of the Central Committee on Financial and Economic Affairs), "The superiority and special characteristics of China's 1952 budget", in *Wen Hui Pao* (in Chinese), Hong Kong, 22 August 1952. Thus it is stated in the 1950 draft budget presented by the Minister of Finance on 2 December 1949 to the 4th meeting of the Government Administration Council of the Central People's Government that "items such as expenditure by local government to support the front (under administrative expenditure), initial expenses incurred by Military Control Commissions in newly liberated cities, transportation costs (under finance) etc. are in reality war expenses".
5. *The 1952 Communiqué on National Economic Cultural and Educational Rehabilitation and Development* was released by the New China News Agency on 20 September 1953 and *The 1953 Communiqué on National Economic Development and Fulfilment of the State Plan* on 12 September 1954.
6. *People's Daily*, Peking, 7 August 1954; NCNA, 1 and 2 November 1954.
7. A. Kaiming Chiu, "Agriculture", in MacNair, H.F. (ed.): *China* (University of California Press, 1946), p. 474.
8. Buck, John Lossing, *Land Utilization in China*, 1937, p. 268.
9. For cultivated land area in mainland China, see *Chou's Report*, *op.cit.* An average family size of 5 persons is assumed for mainland China with about 80 per cent of its population being rural. [Teng Tse-hui, in "Rural work: its basic task and policy" (*People's China*, No. 17, 1 September 1953), gave the most up-to-date estimate as 470 million for the rural population in mainland China, which is about 80 per cent of the total population of 583 million].
10. There is pooling of land for cultivation in agricultural producers' cooperatives.
11. The country's total foodgrain (cereals root crops and pluses) production, 163.6 million tons in 1952 according to official sources, would give an average *per capita* consumption of less than 300 kilogrammes (including seed and animal feed requirement, losses from milling of foodgrains, requirement for export, etc.). This, according to Teng Tse-hui, Director, Rural Work Dept., Central Committee of the Communist Party of China, is inadequate, and should be increased by 70 per cent after two five-year plans or a little longer, to allow for an increase of population, for animal feed requirements, and for a more adequate food allowance of 425 kilogrammes *per capita*. ("Rural work: its basic task and policy", a speech delivered on 2 July 1953 at the Second All-China Congress of New Democratic Youth Corps, in *People's Daily*, 23 July 1953).
12. Cf. the Government's "Decision on the Problem of Labour Employment" quoted in *People's Daily*, 4 August 1952 which reads in part as follows: "after liberation when everyone has soil to till and food to eat, there is still a great surplus labour force, since no change has been wrought in the basic condition of shortage of cultivated land".

migration of surplus rural labour to the cities was reported, against which the government had to issue repeated orders.[1]

The answer of the Central People's Government to the problems of population pressure, unemployment, and low productivity and income is agricultural improvement and industrialization which is expected to absorb a considerable portion of the surplus rural labour by labour-intensive methods in projects such as building of dikes and dams, construction of roads and railways, reclamation of land,[2] erection of public buildings, etc. Such industrialization is to be a gradual process to be completed in stages.

To what extent mainland China is prepared for and may succeed in a programme of industrialization depends upon a number of factors. Mainland China is deficient in petroleum and copper, but is relatively well endowed with coal (previously estimated at 246,000 million tons) and iron ore deposits (2.700 million tons), though its iron ore deposits are of comparatively low quality, having a metal content of less than 40 per cent in most cases,[3] and most of its coal deposits are not of the coking variety. The development of power and transport, which is a pre-requisite to any programme of industrialization, is, however, limited. In 1952 the power generating capacity, estimated at less than 2.9 million kW, was only 38 per cent higher than India's 2.1 million kW, though it had to serve a population of 583 million (1953) which is 64 per cent higher than India's 372 million (1953). In 1952 mainland China, with a territory roughly thrice the size of India's, had about 24,000 kilometres of railway, or one half of India's.[4]

Mainland China has a large volume of surplus rural labour which it can mobilize for the purpose of industrialization. For the development of power and heavy industries, to which the Central People's Government is giving high priority, most projects will have to be capital-intensive in character, at least in the initial period. Most of the capital goods required, moreover, will have to be imported and paid for by means of an agricultural export surplus, unless very substantial external aid or grants can be obtained. The creation of such an export surplus, in a country where the pressure of population on land is already high and the land intensively cultivated, presents great problems.

THE PATTERN OF NATIONAL ECONOMY

In 1953 the value of total industrial and agricultural production was officially distributed in percentages as follows:[5]

Industrial production		46
By modern industry	31	
By handicraft industry	15	
Workshop type	8	
Individual type	7	
Agricultural and subsidiary occupations		54
Total		100

1. *Ch'ang Kiang Jih Pao* (in Chinese), Hankow, 21 October 1952; *People's Daily*, 26 November 1952 and 20 April and 17 December 1953; "GAC Directive on Dissuasion of Peasants from Blind Influx into Cities", NCNA, Peking, 17 April 1953.
2. It is reported that 7.4 million hectares of wasteland in 14 provinces, of which 58 per cent are in the provinces of Heilungkiang and Sinkiang, will be surveyed in the next three years in preparation for large-scale land reclamation (NCNA, Peking, 5 January 1955).
3. *Chinese Yearbook 1935/36*, p. 951; United Nations, *World iron ore resources and their utilization*, New York, 1950.
4. Mainland China's area is 9.7 million sq km, as compared with an area of 3.3 million sq km for India.
5. *1953 Communqué*, op.cit. Apparently, depreciation charge which is proportionately larger in the industrial than in the agricultural sector is not deducted. It is not stated whether the figures given relate to the value added or to the total value of the products including raw materials.

The government's policy of gradual socialist transformation of the country's productive activities implies a new pattern of national economy, as defined in the new Constitution of September 1954,[6] under which the ownership of the means of production falls into four categories, namely, State, co-operative, State-capitalist and private.[7]

The State-owned sector is based on principles of socialist economy; it is "the leading force in the national economy and the material basis on which the State carries out the socialist transformation." The State ensures priority for the development of State-owned economy.

The co-operative sector is a bridge between State and private economies, by means of which private economy of the individual working people is eventually to be socialized.[8]

The private sector embraces both "ownership by individual working people" and "capitalist ownership." The individual working people include peasants, artisans and other non-agricultural individual working people. The State, while allowing them by law to own means of production and other property,[9] guides them to increase production and to organize various kinds of co-operatives "on a voluntary basis."

State policy towards capitalist ownership in industry and commerce is: "use, restrict and transform." That is, use those qualities of capitalist industry and commerce which further the government's long-run plans; restrict those qualities which do not, and transform capitalist industry and commerce into "State-capitalist economy," that is joint State-private participation.

The State-owned sector

The State-owned sector predominates in large-scale enterprises in industry, transport, trade and banking, which are also major fields of public investment under the Five-Year Plan.[10]

In 1953 the State sector is said to have contributed 53 per cent to the total value of *industrial production* (both modern[11] and handicraft) as compared with 34 per cent in 1949. Its share is to be expanded by further development of (1) the State sector and (2) the co-operative and State-capitalist sectors for ultimate absorption by the State sector.

6. This Constitution replaces the Common Programme adopted at the first meeting of the Chinese People's Political Consultative Committee on 29 December 1949.
7. The new Constitution, under article five, classifies the ownership of the means of production into four categories, namely, State ownership, co-operative ownership, ownership by individual working people and capitalist ownership. The last two forms of ownership are private in character. The "State-capitalist" form of ownership is mentioned under article ten.
8. Article seven of the Constitution states: "The State protects the property of the co-operatives, encourages, guides and helps the development of co-operative economy and regards the development of co-operative production as the chief means for the (socialist) transformation of individual farming and individual handicraft producton".
9. According to article eleven, "the State profects the right of citizens to the ownership of lawful incomes, and of savings, houses and the means of life". Article twelve further states: "The State protects by law the right of citizens to inherit private property".
10. The National Government had taken over Japanese-owned and operated enterprises in mainland China after the second world war. This extended the scope of State enterprises, many of which were started by the National Resources Commission in pre-war years, especially in the fields of industry, power and mining.
11. Modern industries, mainly operated by the State, contributed 17 per cent to the value of total industrial and agricultural production in 1949 but 31 per cent in 1953; their share was expected to rise to 33 per cent in 1954.

TABLE 33

CHINA: PERCENTAGE DISTRIBUTION OF VALUE OF INDUSTRIAL PRODUCTION IN THE MAINLAND BY SECTORS

	State sector	Co-operative and State-capitalist sectors	Private sector
1949[a]	34[b]	3	63
1953[c]	53	9	38
1954[a]	71		29

a. Estimate given in *Chou's Report, op. cit.*
b. "The State-owned economy of New China", in *People's China*, 16 January 1954, p. 5.
c. *1953 Communiqué, op.cit.*

Transport and communications have been brought almost completely under State ownership and management. In addition to railways, aviation, posts and tele-communications which were already under State control before 1949, other important means of communications such as highways, inland navigation, etc. have come under the direct control of the State.[1]

State enterprises in *trade* have expanded rapidly since 1949. On 6 August 1952 the Ministry of Trade was expanded into two ministries, the Ministry of Commerce and the Ministry of Foreign Trade, each of which controls various State trading companies.[2] These companies, with their nation-wide network of branches and in co-operation with 31,000 marketing and supply co-operatives throughout the country, are in control of almost 100 per cent of the nation's foreign trade, 50 per cent of the retail trade and 80 per cent of the wholesale trade.[3]

Banking is almost completely in the hands of the State bank, the People's Bank.[4] This bank, with 18 departments, 5 regional offices in the East, Central South, South-West, North-West and North-East, and over 2,000 branches and sub-branches, was reported in March 1953 to have a total staff of over 300,000.[5] Over 90 per cent of all deposits are with the People's Bank, the rest being in banks jointly operated by State and private capital.[6]

State enterprises are also being established in *agriculture*. In 1953, there were 2,340 State farms, including 59 mechanized farms with 140,000 hectares of farmland (about 0.1 per cent of total cultivated land), 1,621 tractors (of 15 horse-power) and 352 combines.[7] In 1954, the number of State farms increased to 3,000, including 102 mechanized farms.[8]

The co-operative sector

The mutual aid and co-operative movement has been rapidly extended to *agricultural production*.

The first form of co-operation is the mutual aid teams, which include (1) temporary mutual aid teams representing a simple form of collective labour, and (2) year-round mutual aid teams having a certain division of work among their members on the basis of collective labour and a small amount of commonly owned property like farm animals and ploughs.[9] In 1953, 43 per cent of the total farm households were reported to have joined the mutual aid teams; of these teams 20 per cent were of the year-round type. By August 1954 the proportion of farm households participating in both types of teams was stated to have risen to 60 per cent.[10]

In 1953, 275,000 farm households, or 0.3 per cent of the total, were reported to be members of 14,900 agricultural producers' co-operatives. Premier Chou En-lai, in his *Report on Government Work*, anticipated that over one half of the total farm households would be participating in the agricultural producers' co-operatives by 1957, the last year of the Five-Year Plan. The total number of these co-operatives in 1954 is reported to have been over 225,000 in August[11] and 400,000 in December;[12] in February 1955 it is reported to have increased to 580,000.[13]

Also included in this sector are the supply and marketing co-operatives, through which farm crops are sold to, and essential commodities and agricultural requisites bought from, the State trading companies and their branches, often under contracts made in advance; 32,265 such co-operatives (including 1,868 consumer co-operatives), with a total membership of 166 million, were reported to have been formed by the end of June 1954. These co-operatives did one quarter of the country's total retail business during 1953, namely 18 per cent of the retail trade in the cities and 30 per cent in the country-side. Three quarters of all the purchases by the co-operatives in 1953 were made on behalf of the State. Most, and in some cases all, of the State purchases of industrial raw materials and such export items as grain, cotton, hemp, tobacco, tea, silk and wool tops were made through

1. The traditional means of transport, e.g. boats carts, pack animals, etc., though still under private ownership, are of local importance only.
2. Up to the end of 1953 there were 15 companies under the Ministry of Commerce having (1) control over domestic trade in food and foodgrains, cotton, jute and silk textiles, tobacco, salt, pharmaceuticals, petroleum products, chemicals, coal, building materials, communication equipment and materials, metals, machinery and tools, and (2) monopoly over cigarettes and wines; as well as 13 companies under the Ministry of Foreign Trade having control over (1) export of livestock products (bristles, intestines, feathers, etc.), oils and fats, tung oil, mineral ores, silk and silk fabrics, and other products; (2) import of chemicals, metals, machinerly, electric equipment and materials, cinema equipment and materials, and technical services; and (3) land and sea transport of import and export products.
3. *Chou's Report, op.cit.*
4. Besides this bank are the following special banks: (1) Bank of China to specialize in foreign exchange transactions, (2) Bank of Communications, (3) Agricultural Co-operative Bank (established in July 1951), (4) Savings Bank (to be established), (5) China People's Insurance Corporation (established in December 1949) and (6) National Construction (i.e., Development) Bank (established in accordance with GAC decision taken on 9 September 1954 for the supply of capital construction funds and their supervision). The private banks, in the meantime, have, since 1 December 1952, been reorganized to form the Joint State-Private Banking Administration with head office in Shanghai.
5. *Ta Kung Pao*, (in Chinese), Tientsin, 3 April 1953.
6. "The State-owned economy of New China", in *People's China*, 16 January 1954, p. 6.
7. *1953 Communqué, op.cit.* There were 24 State mechanized farms in the North-East, 12 in the North, 8 each in the East and in the Central South, 5 in the North-West, and 1 each in the South-West and in the Inner Mongolia autonomous region. (see *People's Daily*, 5 April 1954).
8. *People's Daily*, 20 December 1954; China News Service, Peking, 31 December 1954.
9. Chinese Communist Party's Central Committee Decision on Development of Agricultural Producers' Co-operatives, in NCNA, Peking, 8 January 1954.
10. *Chou's Report, op.cit.*
11. Of this total, 130,405 societies are stated to have been formed between the spring and autumn of 1954. The distribution by areas of the 225,405 societies is given as follows:

North	79,538
North - East	60,340
East	46,045
Central South	18,232
South - West	17,746
North - West	3,506
Total	225,405

These societies are mostly in non-rice growing areas.
Source: People's Daily, 4 December 1954.
12. NCNA Peking, 27 December 1954.
13. NCNA, Peking 15 February 1955.

the co-operatives. These co-operatives are thus stated to have "become a powerful aid to State-owned commerce in stabilizing commodity prices and promoting urban-rural trade."[1]

Rural credit co-operation has also shown a rapid increase. By the end of September 1954, 50,000 credit co-operatives were reported to have been in existence, with a total participating membership of 20 million farm households. It is proposed to increase the number of credit co-operatives to 150,000 and the number of participating farm households to 70 million, thus extending the geographical coverage of rural credit co-operation to 50-70 per cent of the villages in the country.[2]

In *handicraft production*, however, only 4,806 co-operatives were reported to have been formed by the end of 1953, with a membership of 300,000. The latter rose to 1.1 million by the end of 1954 and is expected to rise to 5 million by the end of 1957. At present, 20 million people are estimated to be engaged in handicraft production.[3]

The State-capitalist sector

In the early years of the Central People's Government the private industrial enterprises were brought under State control through two "preliminary forms of State capitalism," namely, (1) acceptance by private enterprises of government orders for processing and manufacturing as well as centralized purchasing or underwriting of their products by the State, and (2) purchasing and marketing of the products of private enterprises by the State.[4] In commerce, private enterprises acted as sales agents for State enterprises, by purchasing goods from the State enterprises in wholesale lots and selling them at State-fixed prices; they also acted as purchasing agents for State enterprises, for certain imports or exports, at prices fixed by the State.[5]

When the Five-Year Plan began in 1953, the government found it necessary to co-ordinate more closely the plans of State enterprises with those of private enterprises, and positive steps were taken to bring the private industrial enterprises within the orbit of the plan. The All-China Federation of Industry and Commerce, officially inaugurated on 23 October 1953, adopted a constitution on 12 November 1953, in which one of its basic tasks is stated to be "the direction of private industrialists and merchants, under the economic plans of the State, in the development of production and improvement of management" (article 3). As a result, the process of transforming the private enterprises in industry and commerce into joint State-private (or State-capitalist) enterprises has been quickened. By the end of 1953, 1,000 joint State-private industrial enterprises were reported to have been in existence, whose output in terms of value was 8.2 times higher than in 1949. The proportion which such output occupied in the total industrial output rose from 2 per cent to 6 per cent during the same period.[6]

State-capitalist commerce has taken different forms. As a result of the introduction, in the winter of 1953-54, of planned purchase and marketing of grain and edible oils, enterprises of the grain and edible oil merchants have been transformed into agencies of State commerce; after the introduction of planned purchase and planned supply of cotton cloth in 1954, retail cloth merchants have, in general, established agency relations with State commerce and supply-and-marketing co-operatives. In other trades, other forms of public-private operation have been developed. The complex types of commodities, the different degrees of State control over the source of supply and the varying conditions in major, medium and small cities and in the country-side make it necessary to adopt diverse forms of State capitalism in the sphere of commerce.[7]

THE FIVE-YEAR PLAN AND ITS IMPLEMENTATION

Immediately after 1949 the Central People's Government took steps to introduce centralized planning through the setting up of planinng machinery, holding of planning conferences, drafting of partial plans governing certain economic activities in the State sector, and fixing production targets for certain basic commodities.

In 1952, the planning procedure was laid down and the planning machinery established in the "Provisional Regulations Government Capital Construction"[8] (articles 28-32). First, the Committee on Financial and Economic Affairs of the Government Administration Council issues control figures with directives to the central economic ministries and regional economic organs, which in turn issue control figures with directives to the peripheral units. Secondly, in accordance with the control figures and directives, the peripheral units prepare draft annual plans, which are to be synthesized first by the central economic ministries and regional economic organs and then by the Central Committee on Financial and Economic Affairs. Thirdly, the synthesized plan of the Central Committee on Financial and Economic Affairs, upon approval by the Government Administration Council, becomes the national capital construction plan. It goes to the central economic ministries and regional economic organs, and from there to the peripheral units.

In the meantime, a new administrative machinery was set up late in 1952. This new machinery includes the State Planning Commission[9] and the planning organs of the central economic ministries and of the regional government agencies concerned with economic functions. Six new economic ministries (the First Ministry of Machine Building, the Second Ministry of Machine Building,[10] and the Ministries of Building Construction, Geology, Food and Foreign Trade), in addition to the existing Ministries of Agriculture, Commerce, Communications, Finance, Forestry, Fuel Industry, Heavy Industry, Labour, Light Industry, Railways, Tele-communications, Textile Industry and Water Conservancy, were established to provide adequate channels for effective planning and implementation.[11]

1. Report by Cheng Tzu-Hua, Acting Chairman of the Board of Directors of the All-China Federation of Co-operatives, at the opening session of the First National Congress of Co-operative Societies on 20 July 1954 (NCNA, Peking, 30 November 1954).
2. *People's Daily*, Peking, 23 November 1954.
3. "All-China Federation of Co-operatives issues report on future of handicrafts", NCNA, Peking, 14 July 1954; also NCNA, Peking, 8 January 1955.
4. "The achievements of the All-China Federation of Industry and Commerce", by President Chen Shu-tung, in *Ta Kung Pao*, Tientsin, 8 December 1953; "Proceed further in bringing private industry and commerce to the path of State capitalism", editorial, *People's Daily*, 11 November 1954.
5. *People's Daily*, 9 December 1954.
6. "Public-private jointly operated industrial enterprises improved after conversion", in China News Service, Peking, 6 September 1954.
7. *People's Daily*, 9 October 1954.
8. Promulgated by the Central Committee on Financial and Economic Affairs on 9 January 1952, *Hsinhua Monthly* (in Chinese), No. 2, 1952.
9. Li Fu-chun, succeeding Kao Kang, is now Chairman of the Commission.
10. This ministry is in charge of defense industries.
11. A new Ministry of Local Industry and a National Construction Commission were added in 1954, in accordance with the Organic Law for the State Council (formerly known as Government Administration Council) of the People's Republic of China, approved by the first session of the National People's Congress at its first meeting on 21 September 1954. See *Ta Kung Pao*, Hong Kong, 29 September 1954.

On account of the nature of central planning in mainland China, the Government has substantial powers of making allocations not only of capital resources, materials and manpower but also of semi-finished and finished products, in the State-owned as well as other sectors of the economy.

Objectives, targets and projects

With the launching of the first Five-Year Plan in 1953, mainland China has entered a period of more ambitious economic development. The general features of the plan are revealed in the following principle:[1]

1. The rate of growth of producer goods and defence industries must exceed that of consumer goods.
2. The development of the producer goods industry must be such as to allow "reproduction on an extended scale."
3. The development of agriculture shall be directed to ensuring adequate supplies of grain and industrial raw materials, and to augmenting the agricultural "surplus" with which to finance industrialization and create an "extended scale of reproduction."
4. The rate of growth in labour productivity should be greater than the rise in wages in order to ensure "accumulation of capital."
5. New industrial centres should be established close to raw material supplies.

1. Li Fu-chun (Deputy Chairman of the Committee on Financial and Economic Affairs), "How to promote industrial development in the People's Republic of China", *Hsinhua Monthly*, No. 11, 1953, Peking, pp.13-14. *People's Daily*, 22 May and 16 December 1953.

Target production figures, usually formulated from year to year,[2] are given on a quinquennial basis (1952 = 100) for foodgrains (124),[3] raw cotton (145),[4] and cotton textile capacity (150),[5] but for an indefinite period (5–10 years) for coal (160), electricity (200), steel ingots (400), rolled steel (250), machine tools (350), and mining machinery (200).[6]

While it is difficult to gain an idea of the quantities involved in these percentage increases, for certain items Premier Chou En-lai in September 1954[7] anticipated the achievement of specified quantities by the end of the year. In table 34, the latter are given together with those for China: Taiwan, India and Japan in order to show the position of mainland China in the economic development of the region.

While the *total* 1954 output of major industries in mainland China, as estimated by Premier Chou En-lai, appears to be higher than in India, but much lower than in Japan (with the exception of coal and cotton yarn), the *per capita* output is invariably lower in mainland China than in India (with the exception of coal and paper) and Japan. Mainland China, however, is officially reported to have achieved a much more rapid rate of increase in production after 1949 than India and Japan, which is partly accounted for by the extremely low rate of utilization of existing capacity in the base year, 1949—the year of nation-wide civil war.

2. *In Chou's Report, op.cit.*, it is stated that the Five-Year Plan in general is "not yet complete and final, and many of its details are being supplemented and amended".
3. Teng Tze-hui, "Rural work: its basic task and policy", *op.cit.*, gave the target as 130, which was revised downward to 124 in *Chinese Agriculture Semi-monthly*, No. 22, 25 November 1954 (Ministry of Agriculture of Central People's Government, Peking).
4. *Ta Kung Pao*, Tientsin, 30 October 1954.
5. *Ta Kung Pao*, Hong Kong, 1 March 1955.
6. "Pravada on Sino-Soviet economic relations", NCNA, Peking, 2 October 1953; "China begins its five-year plan", China News Service, 7 October 1953.
7. *Chou's Report, op.cit.*

TABLE 34

CHINA, INDIA AND JAPAN: SELECTED ESTIMATES OF INDUSTRIAL AND MINERAL PRODUCTION, 1954

Item	Unit	Quantity				Mainland China = 100		
		China		India	Japan	China: Taiwan	India	Japan
		Mainland	Taiwan					
A. TOTAL PRODUCTION								
Electricity	Mn. kWh	10,800	1,813	7,300	60,000	17	68	556
Coal	Mn. tons	82	2	36	42	2	44	51
Pig iron	1,000 tons	3,030	—	1,930	4,870	—	64	161
Steel (crude)	1,000 tons	2,170	43	1,680	7,750	2	77	357
Cement	1,000 tons	4,730	540	4,420	10,580	11	93	224
Cotton yarn	1,000 tons	830	22	700	470	3	84	57
Paper	1,000 tons	480	27	140	1,900	6	29	396
B. PER CAPITA PRODUCTION[a]								
Electricity	kWh	18.6	197.3	19.6	681.8	1,061	106	3,666
Coal	kg	140	217	97	477	155	69	341
Pig iron	kg	5.2	—	5.2	55.3	—	100	1,063
Steel (crude)	kg	3.7	4.5	4.5	88	121	122	2,380
Cement	kg	8.1	58.7	11.9	120.2	724	145	1,486
Cotton yarn	kg	1.4	2.4	1.9	5.3	171	136	379
Paper	kg	0.8	2.9	0.4	21.6	362	50	2,700

Sources: Mainland China: *Chou's Report, op.cit.* whose figures however do not agree in certain cases with official estimates on individual items; other territories: United *Nations, Monthly Bulletin of Statistics* and national sources.

a. Total population figures used are 583 million in mainland China, 9.2 million in China: Taiwan, 372 million in India and 88 million in Japan.

The emphasis on the establishment of a heavy industry under the Five-Year Plan is "to lay a foundation for the development of national economy and the strengthening of national defence."[1] Thus, of the 600 important industrial units to be newly built or improved,[2] the 156 more important ones to be built or improved with assistance from the USSR include coal mines, oil refineries, power stations, iron and steel works, non-ferrous metallurgical plants, plants for making heavy machinery, automobiles, tractors and aircraft, and chemical works; a large part is expected to be completed by 1958 and the rest by 1963. By September 1954, 17 of these 156 projects had been wholly or partially completed and in operation, including the Heavy Steel Rolling Mill, the Seamless Steel Tubing Mill and the Sheet Steel Mill of the Anshan Iron and Steel Company, as well as the Haichow Open-cut Coal Mine at Fuhsin; while 34 were under construction. Most of the known projects are in the North-East where, in addition to the Anshan Iron and Steel Company and the Fuhsin coal mine, 5 power plants are being expanded, while 3 heavy machinery plants, 3 electrical engineering plants and an automobile factory are being built, and production of shale oil is also being developed. So far, work outside the North-East has been concentrated, in addition to railways and roads, on building new power plants and cotton mills, a tractor factory in the North and an oil refinery in Shanghai. In future, activity is likely to increase outside the North-East, particularly in the North-West, and at Paotow and Tayeh for the iron and steel industry.[3]

Magnitude and pattern of investment

The 1953 budget allocated a large sum of PBY 103,527,000 million, or roughly $4,420 million,[4] to investment for economic development, but actually only PBY 86,000,000 million or 83 per cent were spent, owing to larger military outlay and delays in the implementation of the plan. Roughly, three fifths of the total actual expenditure on economic development were on what may be considered "capital-intensive" projects under "industry,"[5] and "other" (of which defence industries probably constitute a part) categories, while the other two fifths went into what may be considered "labour-intensive" projects under "agriculture, forestry and water conservancy," "transport" and "trade and banking."

With the cease-fire in Korea, the tempo of economic development has been stepped up in 1954. The year's total budget provision for economic development was increased by 32 per cent, with 63 per cent of the total going to "capital-intensive" projects and 37 per cent to "labour-intensive" projects. The annual rate of increase is greater for transport and communications than for trade and banking, industry, agriculture, forestry and water conservancy.

A private estimate put the gross national product of mainland China at $30,000 million in 1952.[6] By converting the total sum in local currency devoted to investment for economic development at the official rate of exchange, the investment expenditure for economic development in 1953, reported to be PBY 86,000,000 million, would be $3,700 million or about 13 per cent of the gross national product as privately estimated above.[7]

Industrial production

The 1953 over-all target for industrial production, lowered twice during the year, is reported to have been over-fulfilled by 7 per cent for the State, co-operative and "state capitalist" sectors, although the quality of industrial products has suffered.[8] The value of modern industrial production in stated to have risen above the 1952 figure by 33 per cent, which is lower than the average annual rate of increase during the period of rehabitilation (1949-52), 36.9 per cent, as "during the period of construction (*i.e.* under the Five-Year Plan) the rate of industrial development necessarily has to be lower."[9]

The rate of increase for 1954 is not officially given, though the value of *modern* industrial production is estimated to rise by 18 per cent.[10]

For many individual industrial commodities, the 1953 target rates of increase of production were reported to have been reached, but in 1954 such rates were set at a lower level, whether for capital goods like power and steel or for consumer goods like cotton textiles. These rates were estimated to have been exceeded in September.

In 1953 the rates of increase were higher for capital goods like metals, machinery, and building materials than for consumer goods such as cotton textiles, paper and sugar.

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1. *People's Daily*, July 1954.

2. 300 of them were reported under construction in 1954, 51 being due for early completion.

3. A list of projects in different parts of mainland China known to be USSR aided is given in *Quarterly Economic Review of China and Hong Kong* (The Economist Intelligence Unit, London), No. 8, December 1954.

4. Throughout the section on mainland China, the sum of 1,000 million People's Bank Yuan for 1953-54 has been converted at the official rate of exchange to approximate $42,700. The official rate of exchange has since 6 December 1952 remained at PBY 23,430 to the dollar, as compared with that of PBY 22,270 to the dollar prior to 6 December 1952. (The rates effective in Hong Kong give, however, a higher though fluctuating amount of PBY per dollar). For earlier years the average official exchange rate to the dollar is calculated at PBY 32,477 to the dollar in 1950, PBY 22,687 1951, and PBY 22,270 in 1952.
On 21 February 1955 the State Council (formerly the Government Administration Council) issued the 'Directive on the issue of new People's Yuan and the withdrawal of the old People's Yuan', according to which PBY 10,000 is to be equal to NPBY1. There will be issued by the People's Bank from 1 March 1955 notes bearing five denominations for the new PBY each consisting of 100 cents, namely, 1, 2, 3, 5 and 10 yuan, and six denominations for the subsidary currency, namely, 1, 2, 5, 10, 20 and 50 cents. The old PBY currency notes bearing the larger denominations of 10,000 and 50,000 yuan are to be withdrawn from circulation on 1 April, but may be exchanged for the new PBY currency till 30 April 1955. Old PBY currency notes bearing a denomination of 5,000 yuan or less may still circulate till a date to be prescribed by the government. In the meantime, the official exchange rate is to be adjusted in terms of the NPBY presumably at the same rate as now applies to the old PBY, e.g. $1 = NPBY 2.343. (*People's Daily*, 21 February, 1955).

5. Heavy industry claims 87.3 per cent of the total investment in industry, in the 1954 budget; it includes coal, electric power, petroleum, iron and steel, chemicals and machine-building (*1954 Report on the State Budget*, by Teng Hsiao-ping (Finance Minister), in NCNA, Peking, 17 June 1954).

6. Rostow, W.W. and others, *The Prospects for Communist China* (published by the Technology Press of Massachusetts Institute of Technology and John Wiley & Sons, New York, 1954), p.279. The estimate is based on "tentative and crude calculations" and are "intended merely as indications of approximate orders of magnitude rather than as actual estimates".

7. In a speech he made in the United States, Mr. Yoshida, the former Prime Minister of Japan, stated that "Communist China is investing heavily to increase its economic potential investing at a *per capita* rate at least twice that of all current capital investment in South-East Asia". (Speech delivered before the National Press Club, reported in *The New York Times*, 9 November 1954).

8. One example of the deterioration in the quality of industrial products is given in *Ta Kung Pao*, Tientsin, 20 July, 1954, which discussed the problem of inferior quality of consumer goods in detail. A number of examples were given of the extent to which quality had deteriorated in some state enterprises.

9. *Chou's Report*, *op.cit.*

10. *Ta Kung Pao*, Hong Kong, 23 June 1154.

TABLE 35

CHINA: MAGNITUDE AND PATTERN OF INVESTMENT FOR ECONOMIC DEVELOPMENT IN THE MAINLAND, 1953-54[a]

(Amount in PBY '000 million)

	1953				1954		% increase in 1954 estimates over 1953 actuals
	Budget		Actual		Budget		
	Amount	%	Amount	%	Amount	%	
Industry	47,632	46.1	42,862	49.8	54,122	47.8	26.3
Agriculture, forestry and water conservancy	11,768	11.4	11,317	13.2	11,943	10.5	5.5
Transport and communications	14,849	14.3	12,421	14.4	17,649	15.6	42.1
Trade and banking	4,482	4.3	9,989	11.6	12,791	11.3	28.1
Other	24,796	24.0	9,430	11.0	16,722	14.8	77.3
Total economic investment	103,527	100.00	86,019	100.00	113,227	100.00	31.6
Total budget expenditure	233,499		213,883		249,458		16.6

Source: Po I-po (Finance Minister), *Report on the 1953 State Budget*, in *Ta Kung Pao*, Hong Kong, 13 February 1953; Teng Hsiao-ping (Finance Minister), *Report on the 1954 State Budget*, NCNA, Peking, 17 June 1954.

a. 1953 actuals and 1954 budget estimates are in some cases derived from percentage figures as stated in the Finance Minister's *Report on the 1954 State Budget*.

Coal output, for which the target for 1953 was 2 per cent below that for 1952, actually rose by 9 per cent (see table 36). Commodities that failed to reach the targets in 1953 were flour, salt, sugar and gunny bags.

TABLE 36

CHINA: INDUSTRIAL PRODUCTION IN THE MAINLAND, 1953-54

	1953 (1952=100)			1954 (1953=100)		(1949=100)
	Target		Actual	Target (Teng)[c]	Estimate (Chia)[d]	Estimate (Chou)[d]
	Po[a]	Wu[b]				
Power	127	127	126	115	120	250
Coal	—	98	109	—	116	260
Petroleum, crude	142	142	144	—	132	—
Pig iron	114	114	119	131	132	1,240
Steel	123	123	131	119	121	1,370
Rolled steel	—	134	134	—	107	—
Copper	139	129	136	—	—	—
Lead	149	—	176	—	—	—
Zinc	154	—	150	—	—	—
Sulphuric acid	—	134	136	—	—	—
Generators	—	291	198	—	—	—
Electric motors	—	141	143	—	—	—
Machine tools	—	105	149	—	125[e]	850
Cement	117	130	135	—	118	720
Timber	138	138	157	—	—	—
Cotton yarn	109	109	113	106	112	260
Cotton cloth	116	116	114	—	109[f]	—
Paper	108	106	115	114	112	450
Sugar	123	123	108	123	158	—
Cigarettes	—	—	136	117	128	—

Sources: Po, *Report on the 1953 State Budget, op.cit.*; Teng, *Report on the 1954 State Budget, op.cit.*, Wu Lun-hai, "New China on the road to industrialization", in *Ta Kung Pao*, Hong Kong, 1 October 1953; *1953 Communiques, op.cit.*; *Chou's Report, op.cit.*; Chia To-fu's statement to the First Session of the First National People's Congress, in NCNA, Peking, 26 September 1954.

a. Formulated in February 1953.
b. Formulated in September 1953.
c. Formulated in June 1954.
d. Estimated in September 1954 by Chia To-fu unless otherwise stated.
e. NCNA, Peking, 12 January 1955.
f. *People's Daily*, 14 January 1955.

Coal output is stated to have surpassed for the first time, in 1953, the pre-1949 peak. This improvement in output, representing a 9 per cent increase over 1952, is attributed to a rise in the labour efficiency in State mines of 11.1 per cent over 1952.[1] In 1954 the coal output was expected to rise to 82 million tons;[2] or by 16 per cent over 1953.

Crude petroleum is stated to have increased in output by 44 per cent in 1953,[3] and by 32 per cent in 1954. In the latter year eight oil refineries and other projects with a total capacity double that of 1953 are reported to have been completed.[4] Activity increased in the principal oil fields in Yumen, Wusu and Yenchang, all in the North-West, and in Fushun, the shale oil refining centre in the North-East.[5]

In 1953, *electricity* production was stated to have risen by 26 per cent; in 1954 it is estimated to rise further by 20 per cent. In the latter year the total production of electricity is estimated at 10,800 million kWh, or 56 per cent over the pre-1949 peak.

There were plans for 1954 to build or enlarge over 160 plants of which 17 plants built or reconstructed in major industrial and mining centres were reported to have raised the total generating capacity by 16 per cent.[6] The plants in Fushun, Fuhsin, Urumchi, Taiyuan, Chungking, Sian (which started operation in 1953) and Chengchow, are among the 156 enterprises being built or renovated with USSR aid.

Hydro-electric power is also being developed, for which surveys are being continued on the various major rivers in mainland China. The Fengmen hydro-electric power station was the largest in the country before the war, but after the

1. NCNA, Peking, 11 January 1954.
2. *Chou's Report, op.cit.*
3. NCNA, Peking, 26 April 1954.
4. *Ta Kung Pao*, Hong Kong, 29 October 1954; NCNA, Peking, 8 and 13 January 1955.
5. NCNA, Fushun, 26 March and 4 May 1954. According to rough official estimates 100 million tons of crude oil can be extracted from the known reserves.
6. NCNA, Peking, 18 March 1954 and 6 January 1955.

war three of the four units of 100,000 kW each were removed. In 1954 new turbo-generator sets were installed. On the Hwai River, the first turbo-generator unit was installed in late 1954 at the hydro-electric power station at the Futseling Reservoir, with a capacity of 2,000 kW. When completed in 1956 the station is expected to have five turbo-generator units, with a total capacity of about 10,000 kW. At the Kuanting Reservoir on the Yungting River, a hydro-electric power station is under construction for operation in 1955, using the turbo-generator sets being manufactured by the new Harbin Electrical Machinery Plant.

In 1953, production is reported to have risen by 19 per cent for pig *iron*, 31 per cent for *steel*, and 34 per cent for rolled steel, owing to an expansion in productive capacity and a rise in labour efficiency.[1] Among the principal works completed or restored for production were 6 small furnaces in Maanshan, 2 small furnaces in Lungyen, a steel bar plant in Tientsin, an automatic steel rolling mill, a seamless tubing plant, 2 automatic furnaces, and 4 coking furnaces—all in Anshan.

For 1954, production is officially expected to go up by 32 per cent for pig iron and 21 per cent for steel.[2] The total production for the year is expected to be 3 million tons for pig iron (of which Anshan alone is producing 1.5 million tons[3]) and 2.2 million tons for steel.

Next to Anshan, Tayeh in the mining district near Hankow is being rebuilt as the second steel centre in mainland China.[4] It is proposed to create a new centre at Paotow, present railhead of the Peking-Suiyuan rail line, near rich deposits of iron ore at Pailingmiao and of coal at Tatung. Preparatory work is said to be under way, but no construction or iron and steel facilities has started.[5]

Considerable progress is reported to have been made in the *engineering* industry, through rebuilding or expansion of many old factories from 1949 to 1953 and construction of new ones since 1953. Taking 1949 as the base equal to 100, the total value of output from the State-owned machine works is reported to have risen to 282 in 1950, 473 in 1951, 776 in 1952 and 1,273 in 1953. It is stated that about 50 per cent of the machines currently needed for large-scale economic development are being turned out by the home industry which produces over 1,900 kinds of important machines and electric equipment items.[6]

In 1953, over 100 enterprises were built, renovated or extended, of which the most important included the first automobile factory in Changchun and a pneumatic tool factory in Mukden, heavy machinery plants in Mukden and Taiyuan, a textile machinery plant near Taiyuan, electrical machinery works, a lathe factory and a measuring and cutting tool factory in Harbin and a ship-building yard in Wuchang.

1. Labour officiency is reported to have risen by 28.3 per cent in 1953 as compared with 1952 in Anshan, the steel city of mainland China, and by 15.5 per cent on the average for all iron and steel plants (NCNA, Peking, 15 February 1954.
2. The actual rate of increase is reported to have been 37 per cent for pig iron and 22 per cent for steel (NCNA, Peking, 7 January 1955).
3. NCNA, Peking, 24 September 1954. Shao Hsiang-hua, deputy from the Anshan Iron and Steel Co. to the 1st session of the National People's Congress in Peking, stated that the figure exceeded the peak of 1.8 million tons reached under Japanese occupation in 1943. See also *The New York Times*, 22 August 1954, on "Attlee's visit to the Anshan plants", when the same figures were given by a Chinese spokesman. The 1953 value of iron and steel production supplied by Anshan is stated to have been 12 times that in 1949. (*People's Daily*, 16 February 1954.)
4. NCNA, Wuhan, 10 January 1954.
5. China News Service, Peking, 22 January 1954.
6. Chiang I-wei: "New China's machine-building industry", in *People's China*, No. 12, 16 June 1954.

In 1954, work is continuing on most of the projects started in 1953, and a few of the Mukden and Harbin plants are scheduled for completion. The output of machine tools and electrical appliances in 1954 is reported to have risen by 25 per cent over 1953, owing to an increase of investment by 135 per cent over 1953.[7]

Defence plants manufacturing munitions and arms are under the Second Ministry of Machine Building Industry, and budget allocations for defence industries are probably spread out under "Defence expenditure," "Investment for economic development," and "other" or "non-specified" items. In view of the high importance attached to "modernization of defence" by the government, significant growth must be undoubtedly taking place.

Chemicals manufacture is another major and as yet new industry to which the government is devoting much attention. In 1953 the plan for the Central Chemical Industry Administration is reported to have been over-fulfilled by 14 per cent, with the following percentage increases over 1952 for different chemical products; sulphuric acid 36 per cent, nitric acid 48 per cent, caustic soda 13 per cent, pure soda 16 per cent, ammonium sulphate 25 per cent and ammonium nitrate[8] 201 per cent. In 1954, the following percentage increases over 1953 are expected: total output 43 per cent, sulphuric acid 41 per cent, ammonium sulphate 33 per cent, caustic soda 41 per cent, and pure soda 39 per cent.[9]

In *cotton textiles*, the most important consumer goods industry, rehabilitation and development have been rapid. In 1954 the cotton yarn output is estimated to have risen by 92 per cent above the pre-1949 peak to 4.6 million bales (of 400 lb each) and the cotton cloth output by 109 per cent above the pre-1949 peak to 1,960 million metres.[10]

TABLE 37

CHINA: COTTON TEXTILE PRODUCTION IN THE MAINLAND, 1950-54

	Pre-1949 peak = 100		1949 = 100	
	Yarn (1)	Cloth (2)	Yarn (3)	Cloth (4)
1950	101	90	134	154
1951	112	115	149	197
1952	151	167	201	287
1953	171	190	227	327
1954 (estimate)	192	209	255	359

Sources: Columns (3) and (4): For 1950-52 figures see *1953 Communiqué, op.cit.*; for 1953 figures see *1953 Communiqué, op.cit.* 1954 estimate for cotton yarn output is given in Chia To-fu's statement to the first session of the First National People's Congress, in NCNA, 26 September 1954. 1954 estimate of increase in cotton cloth output is given in *People's Daily*, 14 January 1955, at 170 million metres.

Columns (1) and (2): 1952 figures, given in China News Service, Peking, 15 September 1953, are used in deriving those for other years on the basis of data given in columns (3) and (4).

7. China News Service, Peking, 31 December 1954.
8. The high rate of increase for ammonium nitrate is to be noted, in view of its importance to defense industries.
9. NCNA, Peking, 25 December 1954.
10. The 1954 cotton yarn output estimate is taken from *Chou's Report, op.cit.*; the 1954 cotton cloth output is estimated from the pre-1949 peak (1936) of 942 million metres as given in *Economic Survey of Asia and the Far East, 1947*, p. 85.

The expansion of cotton yarn output is attributed to a number of factors, including the rise in the rate of utilization of capacity.[1] improvement in labour productivity under the emulation campaigns, and installation of new capacity with home-made machines. The number of spindles in 1949, less than five million, is reported to have risen by 14 per cent up to 1953 and by 22 per cent up to 1954.[2] The new spindle capacity is installed mainly by the State, which owns and operates 19 of the 20 new mills in operation or still under construction. These mills are no longer established in Shanghai or other coastal cities, but in the interior: 7 in the North, 6 in the Central South, 5 in the North-West, and 2 in the South-West—all cotton-producing areas where railway transport has been or is being rapidly developed. All of these mills, except 2 in the South-West, are spinning mills with power-loom installations. In Peking, Shihchiachuang, Chengchow and the North-West (Sian and Hsienyang in Shensi province), 4 new mills are now in operation, with 4 more being built for operation in 1955 and another 4 being designed for construction and operation around 1956.

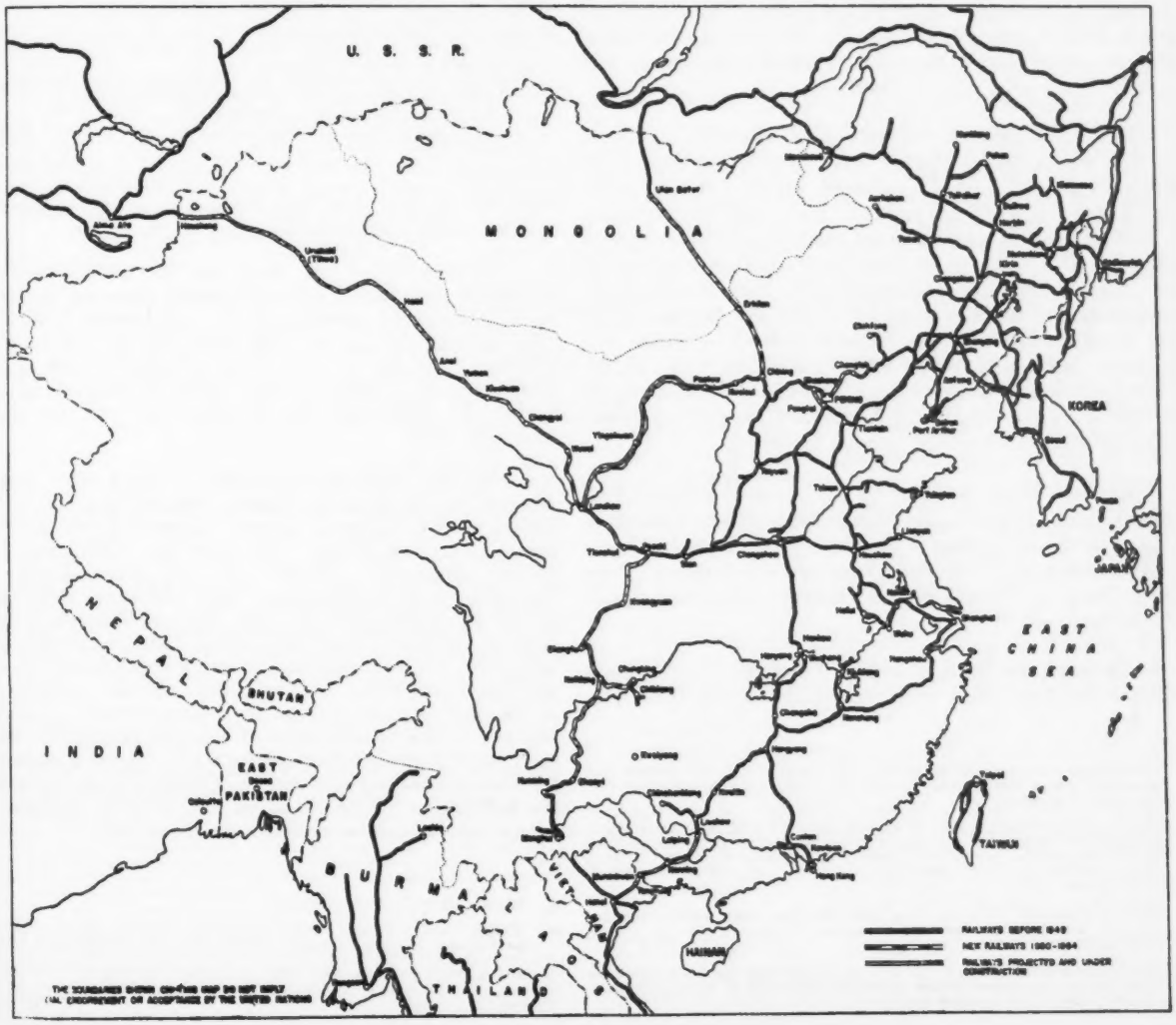
With the rapid rise in cotton yarn output, there has been a corresponding increase in cotton cloth output. The rate of increase is greater for cotton cloth than for cotton yarn output, owing to larger expansion in power weaving rather than spinning capacity.[3]

Transport

Railway and road transport is another task which has absorbed millions of surplus workers from all sources, especially the rural labour reserve. In the early years transport rehabilitation contributed heavily to the establishment of the government's authority and also assisted the movement of commodities to combat inflationary pressure.

1. Estimated at 95.4 per cent among State-owned mills in 1953, owing to the adoption of the three-shift system since 1951.
2. NCNA, Peking, 00 September 1954.
3. In 1954, as compared with 1949, the number of cotton spindles is reported to have risen by 22.3 per cent, and that of cotton looms by 26.5 per cent.

RAILWAY MAP OF CHINA, 1954



While the task of *railway* rehabilitation was completed by 1951, the construction of new railways began in 1950, when three new important lines were started: Laiping-Munankwan, Tienshui-Lanchow, and Chengtu-Chungking. The first was completed in 1951, and the other two in 1952.[1] In 1952, two more major lines were begun—Lanchow-Sinkiang and Chengtu-Paoki, as well as a few other minor lines. When the Five-Year Plan was started in 1953, work on those lines was continued while surveying began on ten new ones, including major lines from Paotow to Lanchow and from Chengtu to Kunming. With the signing of the new agreement with the USSR on 12 October 1954, two more major lines will be built for connexion with the Trans-Siberian Railway, namely the Chining-Ulan Bator line via the People's Republic of Mongolia[2] and the Urumchi-Alma Ata line via the north-western province of Sinkiang (or Chinese Turkestan).

Official statements indicate that possibly over 400 kilometres were built in 1950-51, 472 in 1952, 589 in 1953, and 760 in 1954; bringing the total length of railways built during 1950-54 to 2,261 km, as compared with the pre-1949 length of about 22,600 kilometres.[3] The 1954 plan provides for a 15.5 per cent increase in freight and a 14 per cent increase in passengers, although the planned increase in rail line is about 3 per cent. This will result, as in earlier years, in more intensive utilization of the existing capacity and consequent increase in wear and tear.

In the planning of the location of new rail lines, both strategic and economic factors have presumably been taken into account. Externally, mainland China will be further linked with the USSR through (1) the scheduled completion in 1955 of the Chining-Ulan Bator line which is now connected with the Trans-Siberian railway at Ulan Bator, capital of the People's Republic of Mongolia, and (2) the scheduled completion around 1956 of the Urumchi-Alma Ata line, which will be connected with the Turksib railway at Alma Ata, capital of the Kazakh Soviet Socialist Republic, and with the Lanchow-Sinkiang line now being built at Urumchi, capital of Sinkiang province, but the Lanchow-Sinkiang line, started in 1952, has been completed only up to Wuwei.

Mainland China will also be connected with North Viet-Nam through (1) the Laiping-Munankwan railway finished in 1951, and (2) restoration of the Hanoi-Dong-Dang (or Tung-Teng) section in North Viet-Nam and its extension from Dong Dang to Munankwan for linking with the Laiping-Munankwan railway.[4]

Internally, the major new lines being completed or built will link the North-West and Inner Mongolia with the South-West on the one hand, and connect these two undeveloped regions to the rest of the mainland on the other.

TABLE 38

CHINA: CONSTRUCTION OF NEW RAILWAYS IN THE MAINLAND, 1950-54

Line	Length planned (km)	Date construction started	Date construction completed	Length completed up to 1954 (km)
Chengtu-Chungking	505	1950	1952	505
Chengtu-Kunming	798[a]	1954	..	..
Chengtu-Paoki	700	1952	1957	315[b]
Chining-Ulan Bator	1,200	1952	1955	338[c]
Fengtai-Shacheng[d]	105	1952	1955	..
Laiping-Munankwan[e]	410	1950	1951	410
Lanchow-Paotow	1,000	1954	..	—
Lanchow-Sinkiang	2,800	1952	..	347[f]
Tienshui-Lanchow	346	1950	1952	346
Urumchi-Alma Ata	..	1954	1956	..
Total				2,261

Sources: Press despatches by the New China News Agency and China News Service.

a. This covers the distance from Kunming to Neikiang. The Chengtu-Neikiang section of the Chengtu-Chungking line is 214 km.
b. This is the section from Chengtu northward to Kwangyuan, which was opened to traffic on 1 January 1955 (NCNA, Kwangyuan, 2 January 1955).
c. This length is on the Chinese side.
d. Fengtai is a junction point for the Peking-Hankow and Peking-Tientsin railways, while Shacheng is on the Peking-Suiyuan railway.
e. Munankwan is renamed from Chennankwan.
f. The rail track has been laid westward up to Huahsipao west of Wuwei from Lanchow.

Road transport has been rapidly rehabilitated and developed since 1949. Official statistics show an increase in the kilometrage in operation at year end from 104,102 km in 1950 to 129,614 km in 1952, and 138,585 km in 1953.[5] Of the 138,585 km of roads in operation at the end of 1953, 40,000 km were stated to have been rehabilitated or newly built.[6] In 1954 4,300 km of new road were reported to have been built.[7]

The new highways are mostly in the frontier and the minority people districts; among these are the Sikang-Tibet (2,255 km from Yaan to Lhasa), Chinghai-Tibet (2,100 km from Sining to Lhasa), Chengtu-Ahpa (526 km), and Hainan highways. Rebuilt are the Sining-Yushu and Shangjao-Foochow highways. These highways, according to one of the deputies to the First National People's Congress held in Peking in September 1954, "bear important significance to the economic and cultural development of Tibet and the North-West, the South-West and the coastal areas, to the close relations between the people of various nationalities and to the consolidation of national defence."[8] Of the newly built highways now open to traffic, the most notable are the Sikang-Tibet highway and the Chinghai-Tibet highway, in the building of which a vast amount of civilian labour has been employed in co-operation with the Army.

1. Preliminary work such as surveying and laying out of the roadbed was completed before the Central People's Government assumed control over the area in question.
2. The 338-km Chinese section of this railway, the construction of which started on 1 May 1953, was completed for service on 11 December 1954; it will shorten the run between Peking and Moscow by 1,000 km when the whole railway is completed and open to traffic (NCNA, Huhehot, 11 December 1954).
3. *People's Handbook, 1952*, Ta Kung Pao, Shanghai, 1953, p.409. The plan for 1955 is to build another 1,000 kilometres of railways (NCNA, Peking, 12 January 1955).
4. The Hanoi-Munankwan line (150 km in length) was open to traffic from Hanoi up to the Chinese border in Phu-Lang-Thuong on 30 January 1955. (NCNA, Hanoi, 30 January 1955).
5. *People's Daily*, 27 September, 1954.
6. "Chang Po-chun speaks on communications work at the first session of the National People's Congress", NCNA, Peking, 25 September 1954.
7. NCNA, Peking, 15 January 1955.
8. *Ibid.*

Agricultural production[1]

Agricultural production has fallen short of the planned targets for the first two years of the plan, 1953 and 1954.

The 1953 target for *foodgrains*, originally fixed at 9 per cent above the officially estimated production of 163.6 million tons in 1952, was reduced to 6 per cent above. The actual increase over 1952 was claimed to be about one per cent for foodgrains (165.2 million tons).[2]

The great flood along the Yangtze and Hwai rivers in 1954 is stated to have affected 10.7 million hectares of farm land—essentially rice fields, or one tenth of the total cultivated land. As a result, rice output is reported to be below the 1953 level, in spite of the "increased production of one million tons in Szechwan province not affected by the flood." Wheat output, however, is reported to have risen by 4 million tons or 27 per cent. Similarly, the harvest of maize, millet and other coarse grain crops is stated to have been bigger by 2 per cent, owing to good rainfall in the North-West, Inner Mongolia and other parts of the mainland, though soya bean output was 3 per cent below the 1953 level. The net result is reported to be a record grain harvest of 170 million tons—about 3 per cent more than the 1953 harvest."[3]

The 1953 target increase of *raw cotton* over 1952 was set at 16 per cent, but actually there was a decline of 9 per cent. In 1954, the production is reported to be slightly above the 1953 level. For *tobacco*, there was no increase in 1953 but a slight one in 1954. The *oil-producing crops* of peanuts, rape-seeds and sesame are stated to have registered an 18 per cent increase over 1953.

Water conservancy

Water conservancy, including mainly irrigation, drainage and flood control, has been among the first tasks of rehabilitation and development undertaken by the Central People's Government, not only because it vitally affects agricultural production, but also because it can employ a large force of rural surplus labour with relatively small capital outlay.

The extension of area under irrigation follows the traditional pattern which is characterized by projects small in scale but large in number, with the exception of the North Kiangsu Irrigation Scheme now under construction to provide water for 1.8 million hectares of land between the Grand Canal and the eastern coast. Irrigation works completed in the period from 1950 to 1954 (inclusive) included 8.4 million ponds and ditches, 900,000 wells and 600,000 pumps driven by manual, animal or mechanical power, all of which were said to have added 4.1 million hectares[4] of land under irrigation.[5]

With respect to flood control, efforts were concentrated on the rehabilitation and strengthening of dikes along the rivers and the coast, as well as on the execution of the comprehensive flood control schemes on the Hwai river. From 1950 to 1954, 42,000 kilometres of dikes were strengthened and raised to a level generally one metre above the highest flood level on record. The total volume of earthwork completed amounted to 2,900 million cubic metres. The comprehensive flood control scheme of the Hwai river, begun in 1950 and expected to be completed in 1955, comprises essentially the detention of flood flow by a series of natural lakes and depressions (as well as 16 small reservoirs) which have a combined capacity of 12,000 million cubic metres, the repair of 2,000 kilometres of dikes and the dredging of 3,000 kilometres of river channel. Work completed up to 1954 provides 8,500 million cubic metres of detention capacity, which would materially reduce the flood flow in the middle and lower courses of the Hwai river.

Work aiming at comprehensive flood control was also begun on the Yungting river near Tientsin and on the Liao river in the North-East. Schemes for the Han River, a tributary of the Yangtze joining the latter at Hankow, were being prepared and preliminary steps toward the formulation of a comprehensive plan for the flood control of the Yellow River, interrupted in 1948-49, were resumed.

But in 1953/54 drought and flood struck again, despite all the conservancy work that had been done in the previous years, and upset the plan of the Central People's Government to raise production of foodgrains and industrial raw materials, particularly raw cotton. The 1954 flood plagued the Yangtze and the Hwai river basins. As a result of breaches of dikes, inadequate drainage, and failure of some hydraulic structures,[6] 10.7 million hectares of farm land, or 10 per cent of the total cultivated area, were inundated.[7] The number of people directly affected by the flood can be estimated at 50 million[8] and the number of refugees in Hupeh, Hunan and Anhwei provinces that required resettlement in the nearby or far away areas during the flood at about 10 million.[9] The major portion of the area flooded during July and August was under rice, due to be harvested between August and September for early rice and in early November for late rice. Replanting could be done with root crops to be harvested before winter, or winter crops of wheat, barley, broad beans or rape-seed to be harvested during the following year. The loss of foodgrains was serious,[10] as up to the latter part of September over half of the flood area or 5.3 million hectares of farm land was still under water.[11]

After the 1954 flood, a sum of PBY 2,000,000 million or roughly $85 million had been earmarked for the plugging of breaks and the restoration of dikes. It was estimated that the

1. For a definition of the term 'food' in use in mainland China, indices of agricultural production (especially food and raw cotton) during 1949-52, and a summary of factors affecting agricultural production, see article on 'Economic development in mainland China, 1949-53', *Economic Bulletin for Asia and the Far East*, vol. IV, No. 3, November, 1953.
2. The crop area for foodgrains in 1952 was 126 million hectares, as compared with 11 million hectares for industrial crops, while the total cultivated area in 1954 is officially stated by Premier Chou En-lai to have been 107 million hectares (See *Chou's Report*). The difference is accounted for mainly by double cropping.
3. NCNA, Peking, 6 December 1954; *People's Daily*, 10 December 1954. See however *infra*, section on "water conservancy" for estimated loss of rice crops in areas affected by the 1954 flood.
4. Fu Tso-Yi (Minister of Water Conservancy), "Five years of water conservancy", in *People's Daily*, 8 October 1954.
5. Area under irrigation in 1938 was estimated at 43.2 million hectares; see *Economic Survey of Asia and the Far East, 1950* (United Nations publication, sales No. 1951.II.F.4)
6. See "The floods in mainland China during 1954" in *ECAFE Flood Control Journal* (ST/ECAFE/SER.C/22) to be published in March 1955.
7. *Chou's Report, op.cit.*
8. The number of people directly affected by flooding in 1954 is calculated from the figure of the 1950 flood in the Hwai river basin, which covered a flooded area of 2,110,000 hectares and affected 9,980,000 people. See Hu Huan-yung: *The Hwai River* (Kaiming Book Co., Peking, March 1952).
9. "Report of the Minister of Interior to the first session of the National People's Congress", in *Ta Kung Pao*, Hong Kong, 30 September 1954. The total does not cover the number of refugees in other provinces such as Kiangsi and Kiangsu.
10. Average yield of paddy in mainland China in 1951/52 was reported at 3.8 tons per hectare (*People's Handbook, 1953*). Most of the relatively low lying area still subjected to flooding at the end of September was under paddy. Loss in production of paddy from that area alone would be 3.8 x 5,300,000=20 million tons, or roughly equivalent to 12 million tons of rice.
11. *Chou's Report, op.cit.*

work involved 300 million cubic metres of earthwork to restore 25,000 kilometres[1] of dikes, or 60 per cent of the total length of dikes strengthened in the past five years. The tremendous damage done by the 1954 flood may be attributed partly to the magnitude of the flood, and partly to the quality of work not being able to cope with the situation. Premier Chou En-lai, in his report to the first session of the National People's Congress in September 1954, stated: "The flood of this year (1954) has also revealed many errors in the past with respect to water conservancy activities, as for example, the standards adopted for the design of flood control were generally too low, and many individual structures were not constructed to ensure sufficient safety."

FINANCING OF DEVELOPMENT

Fiscal measures

During the five years for which official budget figures of the Central People's Government are available revenue has expanded rapidly. Starting with a total annual figure in 1950 of PBY 69,000,000 million (or $2,100 million), it has grown, though at a diminishing rate, to 3-1/3 times that figure in 1954, mainly because of expansion of receipts from State enterprises and of taxes from trade and industry, partly because of rising prices, etc. (see tables 39 and 41).[2]

Receipts from State enterprises, (mainly State trading companies), have contributed increasing proportions of the total revenue, rising from 12.5 per cent in 1950 to 35.0 per cent in 1953 and 35.9 per cent in 1954. The sphere of operation of State trading companies has steadily expanded to include foreign as well as domestic trade. These companies, by fixing the prices not only for agricultural products purchased from the peasants and industrial products purchased from private firms and merchants, but also for consumer goods sold to both rural and urban population, in effect levy and collect a concealed form of tax. Their profits have also helped to cover the losses by other State enterprises, mainly in heavy industries.

A second source of revenue is *taxation*. Although this is still the largest source, its relative importance in total revenue has declined from 70.5 per cent in 1950 to 58.4 per cent in the 1954 budget; total taxation has however increased by 177 per cent and total revenue by 234 per cent during 1950-54.

Industry and trade, which contributed 43.3 and 45.0 per cent of the government receipts in 1950 and 1954 respectively, have nominally been a more important source of tax revenue than agriculture, which contributed only 27.2 and 13.4 per cent in these years. Actually, however, the latter has been a more important source than it appears, because of its substantial contribution to the profits of the State trading enterprises, which are derived mainly from transactions with the rural population.

TABLE 39

CHINA: DISTRIBUTION OF GOVERNMENT RECEIPTS IN THE MAINLAND, 1950-54[a]

Year	Tax		Receipts from State enterprises	Other[b]	Total
	Industry and trade	Agriculture			
Amount in PBY '000 million					
1950	30,080	18,898	8,695	11,761	69,434
1951	59,468	21,660	30,537	30,418	142,083
1952	70,208	26,008	46,579	46,481	189,276
1953	92,520	29,046	75,450	18,461	215,477
1954	104,455	31,142	83,342	12,943	231,882
Per cent of total receipts					
1950	43.3	27.2	12.5	16.9	100.0
1951	41.9	15.2	21.5	21.4	100.0
1953	37.1	13.7	24.6	24.6	100.0
1953	42.9	13.5	35.0	8.6	100.0
1954	45.0	13.4	35.9	5.6	100.0
Index (1950 = 100)					
1950	100.0	100.0	100.0	100.0	100.0
1951	195.7	113.6	351.2	267.1	204.6
1952	230.9	134.0	535.7	395.2	272.6
1952	307.5	153.7	870.0	157.0	310.3
1954	347.2	164.7	957.3	110.0	333.9

Source: *see supra*, table 35.

a. Actuals for 1950-52, provisional accounts for 1953 and budget estimates for 1954. 1953 actuals and 1954 budget estimates are in some cases derived from the percentage figures as stated in the Finance Minister's *Report on the 1954 State Budget*.

b. Including bonds.

The third or "*other*" *source of revenue*—comprising loans (internally, 1950 victory bonds and 1954 national construction bonds, and externally, the USSR loans in 1950 and 1954), social insurance, Korean-war donations, confiscation of property from the liquidated landlords, "bureaucratic capitalists," etc.—rose rapidly in 1951 and 1952 (the years of the Korean war and the "five antis" movement[3]), but has since shown a sharp decline, its share in the total government receipts falling from 16.9 per cent in 1950 to 8.3 per cent in 1953, and 5.6 per cent in the 1954 estimate. The sum collected under this heading at PBY 13,000,000 million in 1954 is expected to be only 10 per cent higher than in 1950.

Expansion of exports

Repeated official pronouncements have laid emphasis on the importance of foreign trade in the programme of industrialization. The Vice-Minister of Foreign Trade of the Central People's Government said: "The central aim of our foreign trade hereafter is to serve the socialist industrialization of our country in a better way."[4]

1. *People's Daily*, 12 November 1954.

2. It may be noted that the Central People's Government budget, as compared with that of the National Government before 1949, has a much larger coverage both geographically and functionally, as it takes into account the important North-East region as well as many items formerly given under local budgets. For this reason, the former is ordinarily higher than the latter would have been.

3. This is a government-led movement among private industry and trade against (1) bribery of government workers, (2) tax evasion, (3) theft of State property, (4) cheating on government contracts and (5) fraudulent acquisition of economic information for private speculation.

4. "China's foreign trade in past five year", in *People's Daily*, 5 October 1954.

Accordingly, a drastic change in the composition of mainland China's imports and exports has taken place since 1949. In 1953, when the value of trade was reported to have increased by 36 per cent over 1952, 87 per cent of the value of imports were stated to have been "means of production" (mainly machines, equipment, industrial raw materials, and supplies) and only 13 per cent essential consumer goods (sugar, cloth, paper etc.)[1]

On the other hand, the principal exports from the country's agricultural, mining and handicraft industries have in some cases risen, to pay for the increased imports of producer goods required under the Five-Year Plan. A daily newspaper specializing in economic reporting said "the 141 gigantic projects which the Soviet Union helps us build and reconstruct are undertaken by exchanging, in the form of trade, our farm products, native and special products and mineral products for USSR equipment."[2]

Among agricultural exports, the most important are vegetable oils and products, tung oil, bristle, foodgrains, egg products, etc. Mainland China, the leading producer and exporter of the world's tung oil, is claimed to be supplying half of the world's requirements through an annual export of 100,000 tons. Other items reported are as follows: its bristle export (three fourths of the world's requirements) is at the annual rate of 70,000 tons. The export of vegetable oils (from soya bean, peanut or groundnut, rape-seed, sesame seed, etc.) has reached a post-war (1950-53) annual average of 236,000 tons, as compared with the pre-war (1927-30) annual average of 246,000 tons. Export of foodgrains increased to an annual average of 1.55 million tons (1950-53), as compared with 1.15 million tons in pre-war years (1927-30). Export of egg products from mainland China, the world's leading exporter, has reached an annual total of 70,000 tons.[3] In addition, there has also been export of tea, silk, hemp, wool, furs and skins, frozen meat, fruits, flued tobacco and herb medicine, but some of these have not reached pre-war levels.[4]

Among the principal minerals exported, the more important include antimony, tungsten, tin, etc. The handicraft products exported cover a wide variety, such as embroideries, brocade, carvings, cloisonne-ware, drawn-work and lace, lacquer-ware and carpets.

However, despite the increase in the exported quantity of some primary and handicraft products, the proportion of exports to total output is said to remain very small. While a major portion of certain products such as tung oil, bristle, antimony, tungsten and tin is exported, the proportion is limited for other products—less than 1 per cent for foodgrains, 1.5 per cent for frozen meat, and 7 per cent for egg products.[5]

In order to expand exports, on the one hand home consumption of the principal export products is to be reduced to the minimum, and on the other, there is to be "energetic organization of exports, display of the potentials of existing exports, tapping of the sources of new exports and guarantee of fulfilment of the export plans of the State." To achieve the latter, "purchase of goods for export must be strengthened, and growth of production and improvement in the quality of exports actively and systematically aided." To achieve the former, the country "must practice rigid economy, reduce waste, discriminately make exports available and appropriately increase saleable commodities in exchange for imports necessary for economic construction, in the interest of socialist industrialization."[6]

There has been a change in the geographical pattern of trade, in addition to a change in the commodity pattern of trade, in mainland China. The share of eastern Europe (including the USSR) in mainland China's trade rose from 26 per cent in 1950 to 75 per cent in 1953, with, consequently, a decline in the share of the rest of the world from 74 per cent to 25 per cent during the same period. Statistics from trading patners showed mainland China's trade with the rest of the world to have amounted to $672 million in 1953; in that case, mainland China's trade with eastern Europe (including the USSR) in 1953, which is officially stated to have constituted 75 per cent of the total trade value, would have amounted to $2,016 million.

TABLE 40

CHINA: TRADE IN THE MAINLAND WITH COUNTRIES OTHER THAN EASTERN EUROPE (INCLUDING USSR), 1952-54

(*million dollars*)

	Exports	Imports	Export surplus
1952	323	270	53
1953	391	281	110
First half	207	163	44
1954			
First half	154	132	32

Source: United Nations, *Monthly Bulletin of Statistics*, August 1954 and February 1955.

The export surplus in mainland China's trade with the rest of the world, which has contributed in financing the import surplus from eastern Europe (including the USSR), rose from $53 million in 1952 to $110 million in 1953. However, it declined to $32 million during the first half of 1954, from $44 million during the corresponding period of 1953.[7]

1. *Ibid*

2. "Foreign trade and socialist industrialization", editorial in *Ta Kung Pao*, Tientsin, 14 June 1954.

3. Export figures were given for foodgrains, edible oils and frozen meat, in Chen Yun, "Report on planned purchase and planned supply of commodities" to the first session of the National People's Congress, on 23 September 1954 (NCNA, 23 September 1954 or *Ta Kung Pao*, Hong Kong, 25 September 1954); those for other items were given in Hsu Shao-han (Vice-Minister of Foreign Trade), "Development of foreign trade in New China" (*Ta Kung Pao*, Hong Kong, 1 October 1954).

4. "Foreign trade and socialist industrialization", *op.cit.*; Li Chen-jen (Vice-Minister of Foreign Trade) "China's foreign trade in past five years", in *People's Daily*, 5 October 1954.

5. *Ta Kung Pao*, Tientsin, 14 June 1954.

6. "China's foreign trade in past five years", *op.cit.*

7. Mainland China's trade with the rest of the world is mainly with the sterling area (especially overseas territories in Asia and the Far East) and continental western Europe, but also with the Middle East and Japan. There had been no import from the United States, Canada, or Latin American during the period covered by table 40, except for an import of $1.1 million from Canada in 1952; export to these countries had declined steadily from $28.7 million in 1952 to $1.3 million during the first half of 1954. To a certain extent the trade figures given may have been somewhat inflated by the fact that a number of countries record exports through Hong Kong as having come from the mainland, and yet Hong Kong's own trade figures again show that trade with the mainland.

External assistance

The policy of the Central People's Government "to lean on one side" has resulted in the procurement of external assistance from the USSR and other countries of eastern Europe.

Since 1949 the following agreements have been concluded for the provision of financial and technical aid by the USSR to mainland China. On 14 February 1950 the Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance was signed, in accordance with which several separate agreements were concluded to provide for: (1) a loan equivalent to $300 million to be drawn over a period of 5 years at 1 per cent annual interest from the USSR, (2) transfer without compensation of USSR rights in the Chinese Chungchun Railway in the North-East together with all property belonging to it, not later than the end of 1952; (3) the establishment of four Sino-Soviet companies for the exploitation of oil and non-ferrous metals in Sinkiang, development of civil aviation between China and the USSR and operation of a shipyard in Dairen.

On 15 September 1953, at the 26th session of the Government Administration Council, approval was given to the report by the deputy chairman of the Central Financial and Economic Affairs Committee on his negotiations with the USSR Government for technical and other aid from the USSR to build or rebuild, during 1950-59, 141 enterprises in iron and steel, non-ferrous metals, coal, oil refining, machinery, automobiles, tractors, power, etc., of which 91 were reported to be already in process of building or re-building. Such aid was stated to cover "selection of premises, collection of basic materials for planning, determination of procedure for planning, undertaking of planning, supply of equipment, guidance over construction, installation and operation of machinery, and free provision of technical know-how till the new production is manufactured."[1] Each year Chinese workers and engineering personnel are to be despatched for field training in USSR enterprises, and assistance by USSR experts in Chinese enterprises is provided.[2]

On 12 October 1954 were published the joint declarations of the Central People's Government of the People's Republic of China and the Government of the USSR, which *inter alia* provided for (1) the granting of a USSR long-term loan of 520 million rubles (equal to $130 million when converted at the official exchange rate) for building 15 additional industrial enterprises and for supplying equipment to the amount of 400 million rubles (equal to $100 million) to the 141 enterprises covered in the previously signed agreement; (2) joint construction of a railway from Lanchow through Urumchi (on Chinese territory) to Alma Ata (on USSR territory) with USSR technical assistance; (3) joint construction of a railway from Chining in the People's Republic of China to Ulan Bator in the People's Republic of Mongolia to link with the Trans-Siberian railway branch leading to Ulan Bator, for completion and through traffic in 1955;[3] (4) transfer with compensation, starting from 1 January 1955, of USSR shares in the four joint Sino-Soviet companies set up in 1950-51 in accordance with the 1950 Treaty, to the People's Republic of China; (5) a five-year agreement for scientific and technical co-operation through the interchange of experience in every branch of the national economy between the two countries, to be implemented through the establishment of a Sino-Soviet Commission.[4]

Finally, a beginning is being made in USSR assistance to land reclamation in mainland China, through a Soviet Union gift of equipment sufficient for a 32,000-hectare State farm in Heilungkiang province in the North-East. A group of USSR experts are to act as advisers "so that the Chinese personnel for this State grain farm may learn to master the technique of managing such a big farm within the shortest possible time" and "apply Soviet experience to the reclamation of waste and virgin land."[5]

The Central People's Government has also concluded agreements for scientific and technical co-operation with countries in eastern Europe, particularly East Germany and Czechoslovakia and Poland.[6]

PRICE MOVEMENT AND STABILIZATION

Price movement

When the Central People's Government was established in Peking in October 1949, it was confronted with the hyper-inflation generated in earlier days and the effects of economic dislocation from a nation-wide civil war. From June to December 1949, the price index of essential commodities in principal cities showed an increase of roughly 107 times.[7] By the end of March 1950, however, this runaway inflation had been to a large extent brought under control, and by June 1950 relative price stability was achieved in most parts of mainland China.

However, prices rose again upon the outbreak of the Korean war at the end of June 1950; the rise was intensified after the participation of the "Chinese People's Volunteer Army" in the Korean war in September, and continued till September 1951.

In 1953, the first year of the Five-Year Plan, there was a slight rise in prices owing to the development of an inflationary gap between effective demand and supply. This rise was however arrested through resort to rationing and price control of foodgrains and edible oils in November, and of cotton and cotton fabrics in 1954. The price rise in 1954 was also moderate, in cities for which indexes are available,[8] amounting to less than 1 per cent between December 1953 and October 1954.

1. The *People's Daily* editorial on 10 March 1954 stated that China must provide 30-50 percent of the equipment and supplies for the 141 USSR aided projects.
2. "Li Fu-chun reported on his negotiations with the USSR", NCNA, 15 September 1953, *Ta Kung Pao*, Hong Kong, 16 September 1953.
3. An agreement was concluded on 15 September 1952 between the governments of the People's Republic of China, the USSR and the People's Republic of Mongolia to build the railway.
4. "Communiqué on negotiations between China and the Soviet Union", NCNA, Peking, 12 October 1954.
5. Subject to local soil and climatic conditions, the farm will chiefly cultivate wheat, soya beans and maize and develop animal husbandry. The Ministries of Water Conservancy, Communications and Railways, etc. are to lend active support to the construction of the farm (NCNA, Peking, 16 December 1954). See also NCNA, Harbin, 9 December 1954 and 11 January 1955.
6. On the other hand, external assistance has been provided by the People's Republic of China to the People's Democratic Republics of Korea and Viet-Nam. For details see "Communiqué on negotiations between the People's Republic of China and the Government Delegation of the Democratic People's Republic of Korea" (NCNA, Peking, 28 November 1953; "Communiqué on Sino-Viet-Nam talks on communications and water conservancy", NCNA, 28 December 1954).
7. Yang P'o, "An analysis of the nation-wide price movement in the past year", in *Economic Weekly* (in Chinese), Shanghai, 14 September 1950.
8. These also are the localities where rationing and control have been effectively applied.

TABLE 41

CHINA: INDEX OF WHOLESALE PRICES IN THE MAINLAND, 1949-54[a]

(December 1950 = 100)

1949		1951	
Dec.	50.1[b]	Sep.	114.3[c]
1950		Dec.	113.2[c d]
Jan.	60.7[b]	1952	
Feb.	88.8[b]	June	107.4[c]
Mar.	105.6[b c]	Dec.	106.0[d e]
Apr.	86.8[b]	1953	
May	71.4[b]	Dec.	106.6[e f]
June	82.0[b]	1954	
July	89.2[b]	Oct.	107.3[f]
Aug.	91.4[b]		
Sep.	92.7[b]		
Oct.	96.5[b]		
Nov.	101.0[b]		
Dec.	100.0[b c]		

a. Derived index with a common base period on basis of data given in sources for *b*, *c*, *d*, *e*, and *f*, with December 1950 as the base.

b. Index of wholesale prices for 39 essential commodities in six principal cities, with December 1949 as the base, as compiled by the Statistics Section of the People's Bank of China and given for the twelve months of 1950 in Jung Tzu-ho, "Summary of 1950 financial work and policy and tasks for 1951", in *People's Daily*, Peking, 28 March 1951, or *Hsinhua (New China) Monthly*, April 1951, p.1355. It is here re-computed with December 1950 as the base.

c. Index of wholesale prices for December 1950, September and December 1951, and June 1952, with March 1950 as the base, as given in Yao I-lin (Vice Ministry of Trade), "Adjustment and development of domestic trade in the past three years", in *The Great Achievements in the People's Republic of China during the Last Three Years* (in Chinese) (People's Publishing Society, Peking, December 1952), p.96. It may be noted however that according to the source given under footnote *b* above—the Statistics Section of the People's Bank—the index for December 1950 should be 94.7 if March 1950 be used as the base equal to 100, not 88.6 as given by the Vice Minister of Trade, Yao I-lin. Yao's figures is used here in the table, as it was issued later and represented probably a revision of the earlier index compiled by the People's Bank. (Recomputed with December 1950 as the base.)

d. Index of wholesale prices of 52 essential commodities in seven principal cities for December 1951 and December 1952 as given in Po I-po, *Report on the 1953 State Budget*, *op.cit.* (Re-computed with December 1950 as the base.)

e. Index of wholesale prices in seven principal cities for December 1952 and December 1953 as compiled by the Ministry of Trade and given in an editorial in *Ta Kung Pao*, Hong Kong, 16 April 1954. (Re-computed with December 1950 as the base.)

f. Index of wholesale prices in seven principal cities for December 1953 and October 1954 as compiled by the Price Bureau of the Ministry of Trade and given in *Ta Kung Pao*, Hong Kong, 25 December 1954. (Re-computed with December 1950 as the base.)

In the earlier period (mid-1949 to mid-1950), a decisive influence was exercised on prices by (1) the improvement of transport and distribution, notably the extension of State trade and price-fixing by the State trading companies and their nation-wide network of branches which worked in close collaboration with the supply and marketing co-operatives; (2) the system of cash control adopted from March 1950 onward to centralize, in the People's Bank, nearly all the currency belonging to and held by government organs, State-operated enterprises and co-operatives, and to economize the use of currency by all government agencies so as to reduce money in circulation; and (3) fiscal measures such as (*a*) the flotation of 1950 victory bonds,[1] (*b*) the adoption of the austerity standard of pay to the government's military, civil and educational personnel through the "public supplies" system, under which the government provided the employees with daily necessities and gave each a small sum of spending money, and (*c*) increase of government revenue, chiefly through the extension of the State-owned sector in the national economy, especially the State trading enterprises.

1. The cash control, together with the flotation of the 1950 victory bonds, accounted largely for the sharp drop in prices after March 1950.

During the Korean war, other measures were adopted, *e.g.*: (1) liquidation of owners of private industrial and commercial enterprises found guilty of one of the following five crimes of (*a*) bribery of government workers, (*b*) tax evasion, (*c*) theft of State property, (*d*) cheating on government contracts, and (*e*) fraudulent acquisition of economic information for private speculation; (2) the "arms donation campaign" which also brought in a sizeable amount of revenue and drained off any excess purchasing power that might help to increase inflationary pressure.

In late 1953, when inflationary pressure was found to develop again through the implementation of the Five-Year Plan, rationing had to be applied to essential commodities, first to foodgrains and edible oils, and then to raw cotton and cotton fabrics. This was followed by the flotation of 1954 national construction bonds.

In the meantime, production had risen, more in industry than in agriculture. Thanks primarily to good weather, peak production in foodgrains and other agricultural products was reported to have been achieved in 1952, which is stated to have since been maintained or slightly exceeded despite unfavourable weather and the 1954 floods on the Yangtze and the Hwai rivers. Industrial production, especially of consumer goods such as cotton textiles, had increased through intensive utilization of existing capacity and installation of new capacity.

Control and rationing of consumer goods

The large-scale programme of investment in economic and cultural development, amounting to PBY 118,000,000 million or $5,000 million in 1953, has given rise to an inflationary gap between effective demand and supply, especially of essential consumer goods, to cope with which rationing has been introduced.[2]

Rationing was first applied to foodgrains on 19 November 1953,[3] in the government "order for the enforcement of planned purchase and planned supply of food," designed to "secure the food required for people's livelihood and national construction, stabilize food prices, and eliminate food profiteering." In accordance with the order, all trade in food is in principle to be taken over by the State, which determines the rations for different categories of population, fixes the official purchasing price and the official retail price, and handles the trade in food through a network of government marketing centres. In cities, ration books may be issued to individuals or purchase may be made against census books for the time being. In market towns, industrial crop areas, famine areas and villages in general, rations to be issued by governments at higher leveles are to be determined on the basis of "democratic discussions to be carried out by the masses."

Up to the end of January 1954, planned supply of food is reported to have been effected in 13 municipalities directly under the Central People's Government, 156 medium cities,

2. Chen Yun, "Report on plannel purchase and planned supply by commodities" to the First Session of National People's Congress on 23 September 1954 (NCNA, 23 September 1954 and *Ta Kung Pao*, Hong Kong, 25 September 1954).

3. The order was released in NCNA, Peking, 28 February 1954.

and 11 *hsien* cities and important towns, with a total population of 60 million; it is being enforced on a wide scale in villages throughout the country, with an estimated population of 140 million.[1]

On 23 March 1954 the Central Financial and Economic Affairs Committee issued a directive on the advanced purchase of agricultural products, in which it was laid down that in 1954 the All-China Federation of Co-operatives would purchase from peasants, through conclusion of advance contracts, food, cotton, peanut, tea, ramie, jute, hemp, silk cocoons, raw silk and wool. Such purchases should principally be carried out by co-operatives and mutual-aid teams. At the time of purchase the payment of a fixed percentage of the total value should be made to the peasants.[2]

Towards the end of 1953 *edible oils* were also brought under planned purchase and planned supply by the State.[3] The output of oil-bearing crops in 1953 was stated to have been 70-80 per cent of the pre-war figure. In a government directive adopted on 17 December 1953, it was recognized that "the shortage of supply of edible oils to meet demand will remain a comparatively long-term issue," and that efforts should from now on be concentrated on increasing the production of oil-bearing crops through improved yield and extended acreage.[4]

In 1954, output of oil-bearing crops increased in many parts of the country. Nevertheless, on 19 September a further directive issued by the Central Financial and Economic Affairs Committee provided that "the State will continue to enforce planned purchase of oil-bearing materials and peasants must sell oil-bearing materials to the State according to the quantity and price fixed by the State. Any surplus which they want to dispose of may be purchased by supply and marketing co-operatives or used for exchange of grain on the State-controlled grain market, but private merchants are not admitted to do such business."[5]

Cotton and cotton cloth were also subject to planned purchase and planned supply, owing to a fall in raw cotton output in 1953 by 9 per cent and an increase in the sales of cotton cloth by 47.8 per cent in the same year.[6] On 9 September 1954 the Government Administration Council approved a report by the Minister of Commerce on "preparations for enforcement of planned purchase and planned supply of cotton cloth and planned purchase of cotton" and adopted an order to the same effect. According to this order, only the State trading companies will handle the purchase and supply of cotton cloth throughout the country. Private cotton mills will produce for State orders, private wholesalers will have to wind up their operations and seek other employment, with or without assistance from the State, and private retailers will become agents of the State trading companies. Home-spun cotton cloth will also be purchased by the State trading companies through the supply and marketing co-operatives, but direct exchange between producers and consumers in their localities will be permitted.

The decision on the planned purchase of cotton provides that the State, with the assistance of co-operatives, will purchase all surplus cotton after the peasants have put aside what they need for themselves. In general, the method of one sale is to be adopted and the local people's governments and supply and marketing co-operatives are to organize the peasants to deliver cotton in an orderly manner according to villages and sections.[7]

1. NCNA, Peking, 28 February 1954. According to incomplete statistics 8.27 million members of the Chinese Communist Party and National Democratic Youth League and basic level cadres and activists from the eight provinces of Hopei, Shansi, Liaotung, Chekiang, Hunan, Hopeh, Kwangsi and Kiangsi conducted extensive propaganda among the peasants. (NCNA, Peking, 16 December 1954.)
2. "GAC Financial and Economic Affairs Committee issues directive on advanced purchase of agricultural products in 1954", NCNA, Peking, 27 March 1954.
3. "Bigger oil crop expected", NCNA, Peking 22 September 1954; Chen Yun, *op.cit.*
4. "GAC directive on increase of oil-bearing crops", NCNA, Peking 28 December 1953.
5. NCNA, Peking, 19 September 1954. The ration for edible oil is 5/16 kilogramme *per capita* per month in Peking but much less in other cities. In Canton, for instance, it is reported to have been only 1/8 kilogramme.
6. The yearly rate of increase in cotton cloth supplied to the market was 33.1 per cent in 1951 and 17.2 per cent in 1952, as compared with 47.8 per cent in 1953. In absolute figures, the volume of cotton cloth sold rose from 58 million bolts (of 40 yd or 36.5 m, weighing about 11 lb) to 130 million bolts during the same period. (NCNA, Peking, 14 September 1954.)
7. NCNA, Peking, 13 September 1954; *People's Daily*, 14 September 1954. See also the emergency directive of the All-China Federation of Co-operatives on collection of cotton (NCNA, Peking, 25 October 1954).

Chapter II. HONG KONG

Hong Kong, with an area of 1,013 square kilmetres, comprises Hong Kong Island, the ceded and leased territory of Kowloon lying behind it, and the small Stonecutters Island. Favoured by its location and excellent harbour, Hong Kong has developed as an entrepot in international trade between China, South-East Asian countries and the rest of the world. Owing to the limited land area, special topography and inadequate water supply, agriculture is unimportant. A substantial proportion of the working population is engaged in trade and related activities, including shipping, banking and insurance and a large part of the national income is accordingly derived from trade and related activities. Thus the level of income and employment of Hong Kong fluctuates with the ups and downs of international trade which are beyond its control; The per capita income is estimated at HK$1,146 in 1949/50.[1] The prosperity enjoyed during the Korean-war boom is over and Hong Kong has experienced depression since 1952. The problem of unemployment arising from the trade decline is further complicated by the large influx of immigrants from mainland China during 1948-50. Industry has however expanded substantially during the post-war years with the inflow of capital from the mainland.

POPULATION AND RELATED PROBLEMS

Before the Japanese invasion in 1941, an unofficial census showed the population to be about 1.6 million. It had fallen to about half a million at the end of the Japanese occupation. A rapid increase in the population followed the cessation of hostilities in August 1945, and at the end of 1947 the estimated total was 1.8 million. In 1948 and 1949, as a result of civil war in China, the Colony received another large *influx of refugees*, and in the spring of 1950 the total population was estimated to be 2.36 million. Some refugees returned to mainland China, but many remained in Hong Kong, and at the end of 1952 the total civilian population was estimated at 2.25 million, including about 400,000 refugees. During the last two years the population, owing partly to immigration restrictions, has become comparatively stable. The natural rate of population increase during the last three years was a little less than 25 per thousand per annum.

Although no official data on unemployment are available, one private estimate indicates that more than 30 per cent of the working-age population in Hong Kong is either unemployed or "under-employed" in the sense of working only part-time.[2] In many Chinese firms the majority of the workers are engaged on a day-to-day basis, either on a flat daily rate or on a piece-work rate, and employment fluctuates considerably.

In recent years there have been a number of applications from employers abroad to recruit local workmen for jobs overseas. A total of 1,309 labourers went abroad during 1953, the great majority to Malaya, Singapore, North Borneo, Brunei, Sarawak, Nauru and Ocean Island, and contracts drawn up in accordance with International Labour Organization specifications were read and explained to all workmen before departure. Most in demand were carpenters, construction and textile workers, and labourers for phosphate mines and oil-fields.

It is estimated that about 15 per cent of the population should be *re-housed*. Steady progress has been made in providing low-cost houses in areas where industry either exists at present or is likely to be developed. Attempts are also being made to encourage industrial development particularly in districts adjacent to squatter resettlement areas through the development of satellite towns outside the urban areas. Work is now in progress on the preparation of sites for new factories and for workers' cottages. The situation has been aggravated by two disastrous fires in December 1953 and July 1954.

Water supply is another serious problem in Hong Kong. As there are no large rivers or underground sources of water the population is entirely dependent for its water supply during the winter months on storage in impounding reservoirs with a capacity of 27 million kilolitres; these can only satisfy, on the average, one half of the potential demand. Restrictions on the hours of supply have to be imposed the whole year round to keep the consumption within the available resources and capacity of the filters. The government is therefore launching a water-supply scheme at Tai Lam Chung, which includes the construction of a reservoir of approximately 27 million kilolitres capacity. A maximum of 90,000 kilolitres per day will be available on completion of the first and second stages of this scheme in two years.

FISHERIES AND AGRICULTURE

Salt water *fish* is the main product of Hong Kong's primary industry and the fishing fleet is comparatively large. It is estimated that Hong Kong has nearly 6,000 fishing craft, manned by a seafaring population of 52,000. The production of fish in 1953 amounted to 31,440 tons.

There has been a considerable expansion in the deep sea fishing vessels during 1954 which now comprise 19 primitive and Japanese type deep sea trawlers and 13 British registered deep sea trawlers. The remainder of the fleet is made up of owner-operated Chinese junk type sailing vessels. Development toward mechanization in fisheries may extend the fishing season and the range of operations. In 1953, a 30-ft mechanized junk was built and is operating as a demonstration, training and survey vessel. The Fisheries Research Unit of Hong Kong University was established in 1953 and a 60-ft fisheries research vessel was launched in November 1953. It is

1. Ronald A. Ma and Edward F. Szczepanik, *National Income of Hong Kong, 1947-50* (unpublished).

2. See Szczepanik E.F.: "Economic System of Hong Kong," in *Far Eastern Economic Review*, 28 October 1954, p.546, based on R.A. Ma and E.F. Szczepanik, *National Income of Hong Kong, op.cit.*

hoped to launch in 1954 a model purse-seiner to be financed by the United Kingdom Colonial Development and Welfare fund, to meet the need for a more modern type of vessel which can be built in local Chinese ship-yards. A Fishing Junk Mechanization Exhibition was held in February 1953 to demonstrate the benefits of mechanization and the credit facilities available to fishermen from local engine importers.

All these activities have resulted in the mechanization of 116 fishing vessels in 1953, as compared with 8 in 1952. By the end of December 1953, the number of mechanized fishing vessels in Hong Kong was 254, and was reported to have increased to 464 around mid-1954.[1] Meanwhile, the Fisheries Division of the Department of Agriculture, Fisheries and Forestry started a programme to train fishing crews in the handling of new gear, deck winches and improved nets.

Although a large portion of the land area in Hong Kong is steep and unproductive hillside, almost 13 per cent has been developed for agriculture and livestock raising. Most of the agricultural land is intensively cultivated by small holders.

The principal *crops* grown are rice and vegetables. Area under paddy accounts roughly for 70 per cent of the total cultivated area. Latest estimates show that about 24,000 tons of rice in milled form, grown annually in the New Territories, represent only six weeks' supply of the Colony's total annual consumption. Production of vegetables meets about three-fifths of domestic requirements. Although the rice produced in the New Territories is more than sufficient for the subsistence of the rural population, the Colony as a whole depends largely on imports for its staple foodstuffs.

Under a grant from the United Kingdom Colonial Development and Welfare Fund a special Irrigation Unit of the Public Works Department has been set up to investigate water supply problems, and work is proceeding on improvement of local conditions through the strengthening and sealing of irrigation channels, the improvement of diversion channels and the development of well-water supplies.

INDUSTRIAL PRODUCTION

Hong Kong is steadily growing as an industrial centre. The number of registered and recorded factories and workshops increased from 1,266 at the end of 1948 to 2,208 at the end of 1953 and the number of workers increased from 63,373 to 100,776, or by about 60 per cent during the same period.[2] Industrial consumption of electricity increased from 30 million kWh in 1947 to 166 million kWh in 1953 and an annual rate of 187 million kWh in 1954 (based on figures for the first eleven months). While political stability, a stable currency, excellent banking and transport facilities, availability of electric power and labour provided a favourable environment for the development of industries, the influx of both capital and skilled labour from mainland China during 1948-50 facilitated particularly industrial expansion.[3] Moreover. some capital is now being diverted out of the Colony's own declining trade into industry. Excellent shipping and trading facilities gave access to overseas markets, especially in South-East Asian countries.

The main industries in the Colony are cotton spinning, knitting, weaving, ship-building and ship-repairing, printing and publishing, and the manufacture of a number of items including metal ware, chemicals (including matches), electric torches, rubber foot-wear, rattan ware and garments as well as food processing and preserving. Industries recently started or significantly developed include nylon knitting, silk-screen printing, glove making, embroidering; and the manufacture of kerosene lamps and pressure cookers, electric irons and kettles, and plastic wares. Electric clocks and gramophone records are also being made but full production has not yet been reached. The textile industry employs about 30 per cent of the total workers employed in registered and recorded factories. In the autumn of 1954, 233,000 spindles were at work in 13 cotton spinning mills as compared with 213,000 at the end of 1953. More than one half of the total output of over 32,000 tons of yarn in 1953 is exported, mainly to South-East Asian countries. There are over 160 weaving factories with a total of some 6,000 power looms, and 273 knitting mills, in addition to some silk and wool mills with a considerable number of hand looms.

This remarkable industrial development took place without the benefit of any protection, subsidies, tax concessions or credit at specially low interest and in spite of the fact that manufacturing had to depend almost exclusively on imported capital equipment and raw materials, and compete with products from Japan, India and other countries in domestic as well as external markets. The main factors responsible for this expansion are the high productivity of labour (due to up-to-date machinery and high skills) and the comparatively low wage rates. Government regulation of trade and industry is kept to a minimum. Competition is making it difficult for the less efficient small work-shops to survive, especially in view of the present low level of foreign demand.

Hong Kong industries were seriously affected in early 1951 by the sudden directional restriction on raw materials exports by the United States. These difficulties have gradually been resolved by location of new sources of supply in Europe and by the recent modification in United States trade restrictions. One of the current problems of industrial expansion is however the availability of building land for new factories. Recently, the government approved a reclamation project recommended by the Inter-Department Committee. Work was scheduled to start on a big new reclamation project to provide new sites for industry at Kun Tong on the eastern shores of Kowloon Bay. The first phase covers an area of 32 hectares which later will be extended to cover 57 hectares. The cost of the first phase was estimated at HK$10 million to be charged to the Colony's Development Fund. It is anticipated that the first sites will be available early in 1955 and the first phase will probably take about three years to complete. Full supplies of water cannot be made available until the completion of the Tai Lam Chung reservoir.[4]

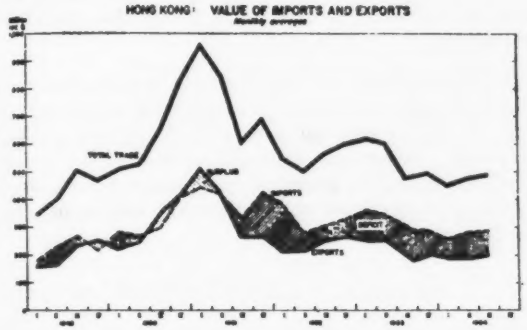
Expansion of power facilities continues. In Kowloon and the New Territories, load continues to grow steadily, as a result of the extensive building activity in this area. During 1953, 345 factories were connected to the supply, as well as a large number of non-industrial premises. During 1954, the new 20,000 kW turbo-alternator, including a boiler, is being put into commission, and the capacity of the generating plant will be 87,500 kW. The expansion programme on the Hong Kong side was, however, hindered by the delay in the delivery of essential plants.

1. *Far Eastern Economic Review*, 12 August 1954.
2. *Hong Kong Annual Report, 1953*, p.25
3. It was reported that in 1954, while there was some capital flight from Hong Kong, especially to Indonesia, there was also some capital inflow from Cambodia, Laos and Viet-Nam.
4. "New reclamation for factory sites at Kowloon Bay", *Far Eastern Economic Review*, 2 September 1954.

TRADE

The trade of Hong Kong consists largely of entrepot trade. The level of trade, which fell considerably after the abatement of the Korean-war boom, remained low in 1953 and declined further in 1954, although it showed some improvement during the last four months. The total value of trade for 1954 amounted to HK$5,852 million, which was approximately 11 per cent below that for 1953, mainly because of the redirection of the trade of mainland China and the reactions of several South-East Asian countries to shortage of foreign exchange. Exports to mainland China and South-East Asia and imports from mainland China, Thailand and western Europe were principally affected. The trade deficit for 1954 amounted to HK$1,018 million which was 10 per cent smaller than the trade deficit for 1953.

Chart 25



Direction of trade

The value of imports from mainland China during the first nine months of 1954 fell by 28 per cent below the value in the corresponding period of 1953, and the value of exports by 35 per cent. This substantial reduction could hardly be explained by the United Nations embargo on strategic exports to mainland China, and the United States' restrictions on imports from and exports to mainland China, both of which have remained unchanged. The main reason was mainland China's continuous redirection of its international trade which reduced its entrepot trade with Hong Kong. The traditional exports from mainland China such as soybeans, oilseeds, animal and vegetable oil, etc. were channelled direct to the USSR and eastern Europe instead of through Hong Kong, and the imports from the USSR and eastern Europe also were channelled directly. Even trade with western Europe is increasingly by-passing Hong Kong. While direct British exports of wooltops, chemicals and machinery to mainland China have increased, exports of those goods to Hong Kong chiefly for re-export have fallen.

Indonesia and Thailand, which had been among the best customers of Hong Kong in 1952, reduced considerably their imports from Hong Kong in 1953 and 1954. Falls in their export earnings necessitated severe restrictions on imports. In May 1953, Indonesia imposed a complete ban on imports from Hong Kong which was only partially relaxed towards the end of 1953. Thailand also imposed extensive restrictions on imports in November 1953 and tightened them further in 1954. Exports to several other Asian countries, including Japan, Malaya, Pakistan, India, Ceylon and the Republic of China also declined in 1954, but those to the Republic of Korea increased considerably.

Imports from most Asian countries decreased substantially, especially those from Thailand, which fell from HK$247 million during the first nine months of 1953 to HK$79 million during the corresponding period of 1954, on account chiefly of the reduction of rice imports. Owing to the heavy rice stock with the government, licences for private import of rice were not liberally issued during the first seven months of the year.[1] Total value of imports from Japan increased. In common with the rest of the sterling area Hong Kong had to impose various restrictions on imports from Japan in 1952-53, owing to the Colony's mounting adverse trade balance and the unfavourable balance of payments position with Japan for the sterling area as a whole. By September 1953 the position had improved sufficiently to allow all the restrictions to be progressively removed except for re-exports to some of the scheduled territories.

The drop in exports to mainland China and other Asian countries has given rise to a corresponding drop in imports of manufactured goods from western Europe, for re-export, such as drugs, metals and manufactures, machinery, scientific and optical instruments and matches. Imports from the United Kingdom and West Germany were particularly hit.

Trade with the United States showed some slight improvement in 1954, following some modification in the United States restrictions on trade with Hong Kong in 1953 and 1954, which allowed the export to Hong Kong of various consumer goods and also farm machinery and the import of over sixty different commodities to be under comprehensive certificates of origin.

Exports of local products

While the total value of Hong Kong's exports was declining, exports of local products in 1954 increased by 7 per cent over 1953, in spite of an estimated drop in export prices of 10 per cent. Thus the share of local products in the total export value increased from 23 per cent to 28 per cent.[2] About half the exports of local products were accounted for by cotton manufactures, in spite of stiff competition from India and Japan; other important articles were foot-wear, enamelled household goods and electric torches. The main markets were South-East Asian countries and British Africa.[3]

PUBLIC FINANCE, MONEY AND PRICE

For many years the finances of the Colony have produced budget surpluses. The surplus in 1953/54 was HK$6 million as against HK$72 million in 1952/53, the reduction being entirely due to an increase in expenditure of HK$66 million. Non-recurrent expenditures on public works, which include the water reservoir, reclamation, educational and health schemes, etc., have increased from an actual expenditure of HK$31 million in 1953/54 to an estimated total of HK$69 million in 1954/55. The estimated total revenue has remained at the same level as in 1952/53 in the budgets of 1953/54 and 1954/55.

Budget forecasts for 1954/55, for the first time since 1949/50, reveal a deficit of HK$24 million. Although total expenditure for 1954/55 shows only a small increase of HK$30

1. Importers who obtained import licences had to take a portion of government rice for resale, in order to reduce government stock.
2. The increase in the percentage was partly due to better statistical recording.
3. During 1954, while exports of local products to Indonesia, Thailand and several other Asian countries fell, those to Africa, the West Indies, the Pacific islands and Central and South America rose.

million, expenditure on development[1] reveals a significant increase of about HK$60 million over 1953/54. In contrast, expenditure on administration[2] shows a decline of HK$34 million.

The total bank clearance in 1954 remained at the 1953 low level, owing partly to the low level of trade and partly to the dullness in the gold and exchange markets. The decline in world free-market price of gold and the improvement in the payments position of the sterling area, which strengthened the sterling in the free exchange market, reduced the speculative transactions in gold and sterling. Overseas Chinese remittances, heavily reduced in 1953, remained low in 1954. Notes in circulation, which had remained stable since 1950, decreased appreciably in April 1954.

The cost of living index (with March 1947=100) fell from 125 in December 1953 to 115 in December 1954. Its rapid decrease in the last quarter of 1954 resulted from falls in prices of imported rice and from greatly improved supplies of other foodstuffs, mainly pork, poultry and eggs, from mainland China.

CONCLUSION

The further decline in the level of trade was the main factor which accounted for the continuous depressed situation in Hong Kong in 1954. Prospects for the expansion of trade with mainland China seem to be uncertain. The expansion of trade with most other Asian countries depends chiefly on the world demand for and prices of their primary exports, which affect largely their capacity to import.

Industrial expansion continued, although some overseas markets were narrowed by tighter trade and exchange restrictions in some importing countries and increased competition from other industrial exporters, mainly India and Japan. While industrial expansion tends to maintain or even increase some employment in industries, competition with other countries requires improvement of efficiency by means of capital-intensive methods of production. Moreover, the limited expansion in industry was insufficient to absorb the large number of unemployed people arising from the influx of Chinese immigrants and the low level of trade. Further industrial expansion is limited partly by the availability of building land.

The government is making efforts to solve the problems of housing and resettlement of squatters, to improve water supply, to reclaim land and to promote fishery and agricultural production. Investment expenditure on public works has increased markedly in recent years. Protective tariff subsidies, tax-exemption measures and low-interest loan policy are not used for industrial development.

1. The sum of social services, economic services and investment.
2. Roughly "other current expenditure".

Chapter 12. INDIA

India's economy in the eighth year of the country's independence is still in a state of flux, in many aspects. On the one hand, the forces set in motion by the aftermath of partition have not yet spent themselves; on the other, powerful new forces are gradually re-moulding the structure of the country's economy and the life of the people. Thus very little of present-day India can be described adequately in terms of static patterns or unchanging magnitudes.

The population of India is estimated to be around 370 million in 1954,[1] and to be increasing at the rate of 1.25 per cent per annum during the past ten years. There have been a noticeable drope in the infantile mortality rate and a gradual decline in the birth rate in recent years. The average density per square kilometer is now above 130, which ranks among the highest in the countries of the world. The current literacy rate is estimated to be around 20 per cent for the country as a whole; but the Constitution provides for free and compulsory education for all children up to the age of 14 inclusive, and a steady improvement is taking place.

The state of land utilization is now better known as a result of the compilation of the 1951/52 reports, which extended the coverage to 87 per cent of the total area of the country. The net area sown occupies 42.1 per cent and fallow lands 9.8, while forest areas cover 15.6 per cent of the land. The remaining area, about one-third of the total, is equally divided between the area not available for cultivation and the "other uncultivated land excluding fallow lands." The irrigation projects of all kinds, which aim at doubling the irrigated area in 15 to 20 years, are constantly improving both the degree and the extent of land utilization in India.

India has great potentialities in inanimate sources of power except petroleum, of which it imports 95 per cent of its supplies. Coal reserves are abundant, currently being estimated at 43,100 million long tons, of which 2,000 million are good-quality coking coal. The hydro-electric power potential is 40 million kW, although 2 per cent of this only has so far been developed. As yet only one-third of the total output of electric power comes from water power, 60 per cent being accounted for by steam and 8 per cent by diesel power.

India is also favoured with many other mineral resources, e.g. abundant reserves of high-grade iron, the foremost deposits of mica in the world, substantial deposits of manganese, bauxite, titanium, chrome, gypsum, etc. For some of the important non-ferrous metals, however, e.g., for copper, zinc, tin and lead, it is dependent on foreign sources of supply. Estimates of mineral reserves are, of course, constantly being revised. For example, detailed large-scale mapping of the manganese-ore belt in Madhya Pradesh has recently shown that the reserves in this area are far larger than hitherto estimated. And the government is energetically prospecting and surveying for additional mineral deposits of all kinds, especially those which India now lacks.

Of the total population of 356 million in 1950/51, about 40 per cent were estimated to be gainfully engaged; they were distributed among various industries in a manner more or less typical of an under-developed economy. Primary industries, including agriculture, animal husbandry, forestry and fishery, occupied 72.4 per cent, and mining and manufacturing together 10.6 per cent; while the remaining 17 per cent were distributed among banking and commerce, communications, transport, and other services.

Of those gainfully engaged in factory establishments, textile industries, mainly cotton and jute, employed by far the most important part (46.3 per cent); they were followed by food-processing industries (except beverage) (13.9 per cent), tobacco (4.9 per cent), non-metallic mineral products (4.5 per cent), and basic metal industries (4.0 per cent), etc.[2] This distribution of the factory working force reveals the approximate weights of different manufacturing industries, though they are now gradually changing as the country's industrialization programme progresses.

At present India depends less on foreign trade than most of the ECAFE countries. Thus in 1953, imports at c.i.f. prices constituted only 5.2 per cent of the estimated net national product; the percentage may have declined further in 1954. More than one-third of total imports, as indicated in the 1953 *Survey*, have in recent years consisted of food grains and raw cotton. And in precisely these two items the 1953/54 production showed a most remarkable expansion. The Planning Commission estimates at Rs 1,300 million the foreign exchange savings from increased domestic production of food-grains during 1953 compared to the year 1951. In the case of cotton, the estimated foreign exchange saving during 1953/54 from increased domestic production was Rs 480 million as compared to the year 1950/51. The time may not be distant when India no longer needs to import these items, except for special varieties.

In spite of its relatively abundant natural resources, India's per capita real national income now stands at Rs 276 at 1948/49 prices (see table 42), or approximately $60 at current prices, and ranks as one of the lowest even among the generally low incomes of the ECAFE region. Real per capita income, however, is now clearly and definitely rising. Although the index (1950/51=100) was raised to 112 in 1953/54 partly by good weather and record food crops, the actual gain achieved in real national income, even after discounting the effect of good weather, is definitely greater

1. This figure does not include the State of Jammu and Kashmir and tribal areas of the State of Assam. The statistics used in this chapter are mostly Government of India statistics which now commonly include the State of Jammu and Kashmir.

2. Statistics for 1952.

than that projected in the Five-Year Plan. In fact, as the Planning Commission observed, "it would appear that the plan target of raising the *per capita* income level in the country by about 5 per cent over the five years of the Plan was actually achieved in 1952/53."[1]

TABLE 42

INDIA: ESTIMATES OF PER CAPITA REAL NATIONAL INCOME

(Rupees at 1948/49 prices)

Year	Per capita income	Index	Plan target
1950/51	246	100	100
1951/52	252	102	101
1952/53	261	106	102
1953/54	276	112	103
1954/55	..	..	104
1955/56	..	..	105

Note: Per capita real income figures for 1950/51—1952/53 are taken from the governmentestimates of national income for 1948/49 to 1951/52 and *Five Year Plan Progress Report for 1953/54* (Planning Commission, Government of India), p.7. The figure for 1953/54 was estimated on the basis of indexes of agricultural production and of industrial production, government expenditures, both central and local, and gross earnings of railways. The increase in agricultural production for 1953/54 as indicated by the index was discounted by 1.3 percentage points for the factor of increase of coverage in foodgrain statistics. Weights were derived from the value-added figures by industries as calculated for 1950/51 in the *Final Report of the National Income Committee.*

Furthermore, all the indications thus far point to the likelihood of at least maintaining the 1953/54 level of per capita real income during the current year.

THE FIRST FIVE-YEAR PLAN

The techniques and instruments of planning

The exact nature of planning as practised in India today is constantly evolving and therefore cannot be described in a hard and fast manner. Broadly, it rests upon the premises of mixed economy and emphasizes democratic control. And "the basic premise of democratic planning" is stated by the *First Five-Year Plan* (1952) to be:

> "that society can develop as an integral whole and that the position which particular classes occupy at any given time—a product of various historical forces for which no individual or class as such can be held responsible—can be altered without reliance on class hatreds or the use of violence. The need is to secure that the change is effected quickly and it is the positive duty of the State to promote this through all the measures at its command."

More specifically, the Planning Commission envisaged originally such possibilities as: (*a*) "State trading at the wholesale level in respect of selected commodities"; (*b*) "the progressive socialization of agricultural marketing and of processing industries in the rural areas through the agency of co-operatives"; (*c*) "fiscal policy as a major device for bringing about a postponement in increases in the standard of living to the maximum extent possible" and also as a device for "reducing inequalities of income and wealth"; and (*d*) physical control used "to supplement financial controls" in order to mitigate "the excessive pressure on a few commodities which tend to limit the rate of progress."[2] Taking the position that "for one to ask for fuller employment and more rapid development and at the same time to object to controls is obviously to support two contradictory objectives",[3] the Planning Commission prepared itself to meet different possible circumstances which would call for various degrees and combination of controls.

Three years' experience of planning, however, has shown that its most important instrument has been government money, used to shape and influence the pattern of investment expenditures. If we assume a rate of saving of roughly 5 to 6 per cent during the first three years of the Plan, an investible fund of roughly Rs 15,000 million was available during those years, so that approximately one half[4] was siphoned through government channels. These funds were generally spent directly by the government in accordance with the priority indicated in the Plan mainly to satisfy the needs of over-all economic development. Investment planning in the organized private sector, on the other hand, was largely left to private business leaders themselves. The government did use some administrative powers to control new capital issues and importation of machinery. But the main positive encouragement of the private sector by the government was protection, i.e. the effective use either of customs duties or of quantitative import restrictions.[5] In the early years of the Plan, distribution and price controls on foodstuffs were carried out quite successfully; but no comprehensive price policy was systematically applied.

A further significant instrument of planning appears to have been a group of measures intended to arouse a new spirit of enterprise and economic betterment at the grass-roots. The Five-Year Plan itself was intended, it appears, to focus the people's attention on the need for work in economic development and the magnitude of the task involved therein. From the very beginning of the Plan, public discussion was encouraged to the utmost; and repeated conferences were held with leaders in different fields before the Plan was finalized. Then in 1952, the Bharat Sewak Samaj, a non-official and non-political body, was created specifically to organize and develop the people's voluntary efforts in carrying out the purpose of the Plan. The organization now conducts a varied programme through 400 district branches. Among other activities, it organizes voluntary labour for local works, runs students' camps and adult education centres, and conducts economic surveys of villages to assist planning from below. The slogan "Planning from below" seems to be receiving greater and greater emphasis.

A more noteworthy instrument of planning in this sense, applied in the rural areas of India, is the Community Development Programme and the National Extension Service. The widely circulated term "community projects" comes under this programme. Its general aim is "to bring about a change in the mental outlook of the people, and to instill in them an ambition for higher standards of life and the will and the determination to work for such standards."[6] Its basic principle

1. *Five Year Plan Progress Report for 1953/54*, p.7.
2. Government of India Planning Commission, *The First Five Plan*, chapter II.
3. *Ibid*, p.43.
4. The total outlay under the Five-Year Plan was Rs 8,848 million during the three years, of which about one fifth is regarded as expenditure of a recurring nature.
5. The Tariff Commission, which started functioning in January 1952, taking over the work of the earlier Tariff Board, has recommended the continuance of protection to several industries and the grant of protection to many new industries which applied for it. Most of these recommendations have been acted upon by the government.
6. *Five-Year Plan Progress Report for 1953/54*, p.94.

TABLE 43

INDIA: ANNUAL RATE OF EXPENDITURES UNDER THE FIVE-YEAR PLAN (PUBLIC SECTOR)

(million rupees)

	Plan	1951/52 to 1953/54		1954/55	
	annual average	annual average	% to the plan	Budget estimate	% to the plan
Agriculture and community development ..	747	359	48	899	120
Irrigation and power	1,234	1,000	81	1,675	136
Transport and communications	1,072	747	70	1,470	137
Industry	356	114	32	330	93
Social services[a]	979	662	68	1,168	119
Others	110	67	61	175	159
Total	4,498	2,949	66	5,717	127

Source: Based on *Five-Year Plan Progress Report for 1953/54*.

a. Including rehabilitation of displaced persons.

is that the motive force for improvement should come from the people themselves and also that the co-operative principle should in general be applied to solve various problems of rural life. An immense variety of projects is included: digging compost pits, distributing fertilizers, seeds and agricultural implements, holding demonstrations, guiding fruit and vegetable gardening, building and repairing wells and tanks, setting up breeding centres, making village roads, etc. It is intended, with a relatively small government expenditure on the programme, (about 4 per cent of the total outlay on the Plan for the five years) to exert leverage through social education and release the dormant energy of villagers to better their own lot. The programme would also contribute to the absorption of underemployed rural manpower at a capital/output ratio far lower than in the case of usual developmental expenditures.

The programme began only in October 1952, and it is still too early to assess its long-range significance. But the entire approach seems peculiarly suited to India and the success of the Five-Year Plan may depend a great deal on the vigour and dynamism that this programme can sustain.

The Plan in its fourth year

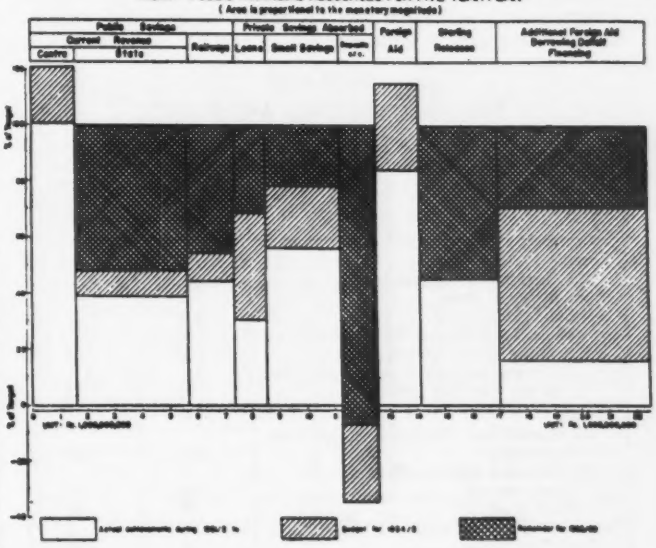
The First Five-Year Plan is now in its fourth year; the resources mobilized and expenditures incurred in its first three years give perhaps the best conspectus of its achievement.

For the public sector, the target of aggregate development expenditures for five years now stands at Rs 22,850 million.[1] About 40 per cent of this sum, Rs 8,848 million, was spent in the first three years—11.3 per cent in the first year, 11.8 per cent in the second, and 15.5 per cent in the third. In relation to the target, the actual outlays incurred in specific sectors fell short in various degrees. In table 43, the annual rates accomplished for the first three years and the budget estimates for the fourth year (1954/55) are compared with the average annual rate of expenditures envisaged in the Plan in terms of broad classifications.[2] It can be seen that (*a*) expenditures for irrigation and power came closest in the first three years to attaining the average annual rate implied in the Plan; (*b*) those for industry, and to a less extent, those for agriculture and community development lagged markedly; and (*c*) the annual rates of expenditure in 1954/55 in all the sectors except industry are budgeted to exceed considerably the average rates in the Plan. It is doubtful whether these budget estimates can actually be fulfilled.[3] The shortfall in expenditure is obviously a matter for concern.

The financing of the public sector is also uneven and suggests possible future strains. Chart 26 presents in a summary form the actual achievements for the first three years and the budget estimate for the current year in relation to the Plan target by major sources of funds.

Chart 26

INDIA: PUBLIC FINANCIAL RESOURCES FOR FIVE-YEAR PLAN



1. The target was raised for the second time by Rs 360 million towards the end of 1954. Detailed discussions below on the Plan figures, however, are on the basis of the target as it stood in October 1954. A further expansion of Rs 120 million is reported to be under consideration.
2. The comparison must be made with caution, for it is only to be expected that the later years in the Plan will have a higher rate of expenditures than in the first few years. Further, it must also be borne in mind that the Five-Year Plan figures cited in this section are not adjusted for price changes. See, *infra*, the section on "Prices and monetary development".
3. Mr. V. T. Krishnamachari, Deputy Chairman of the Planning Commission, in his address to the National Development Council in November 1954, forecast a short-fall of 12.5 to 15 per cent in the government expenditure under the Plan for the five-year period. It amounts roughly to Rs 3,000 million.

For the Plan as a whole, budgetary resources, including private savings absorbed by the government, are to account for 56 per cent of the public sector's proposed total expenditures, the remaining gap being filled by external assistance and deficit financing. In the first three years budgetary resources made available reached 42 per cent of the five-year target (accounting for 61 per cent of the public sector's total expenditures during those years) while expenditure reached only 40 per cent; budgetary resources therefore appear to be keeping up with expenditure. But this is slightly deceptive, since most of the current revenue accruing from the central government depended largely on the exceptionally buoyant revenues of the Korean-war boom. This current revenue contributed practically nothing in 1953/54; and in 1954/55, when estimated expenditures are 27 per cent above the average annual rate of the Plan, the budget estimate of revenues from internal sources is 10 per cent below its average annual rate.

There are still some uncertainties about how the financing will work out for the whole five-year period; but a fairly definite general picture has emerged. Private savings, absorbed by the government as loans, small savings, etc., are likely to meet the target, and may even exceed it if the rate of expenditure is accelerated. But this may fail to offset the almost inevitable shortfall in contributions from revenue surplus of States and profits of government enterprises. External assistance appears to be adequate, while the use of sterling balances to be matched by deficit financing had not been made in the last two years and is most unlikely to reach the target. If the total amount of the revised Plan is to be spent within five years, the probable shortfall in resources will be Rs 2,500 million (44 per cent of the year's projected expenditure) for 1954/55 and Rs 4,000 million (50.5 per cent) for 1955/56. They constitute approximately 2.5 and 4.0 per cent respectively of the country's national income and give a measure of anticipated inflationary pressure.

As for external assistance, loans and grants authorized thus far total Rs 2,420 million. During the Plan's first three years Rs 1,319 million have been utilized, and in the 1954/55 budget credit is taken for an additional Rs 480 million. Details are given in table 44.

TABLE 44

INDIA: EXTERNAL ASSISTANCE

(million rupees)

	Authorized	Utilized (1951/52 to 1953/54)
Loans		
US Government (wheat loan)	904	90½
International Bank		
Steel project loan	150	..
Loans for Damodar Valley Project ..	50	..
Bombay electric power project	78	..
Undrawn balance of loans extended in the pre-Plan period	71	55
Grants		
US Government (Technical co-operation assistance)	816	211
Grants under Colombo Plan		
From Canada	264	92
From Australia	57	41
From New Zealand	3	3
Ford Foundation	24	15
Norwegian Government	3	
Total loans and grants	2,420	1,319

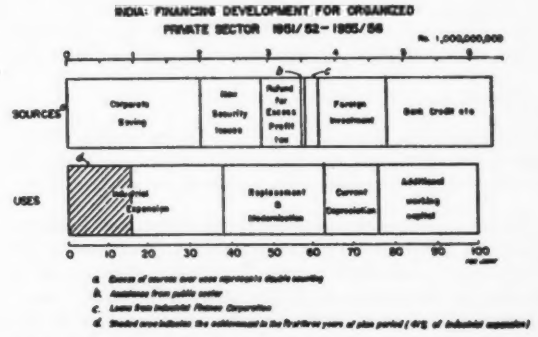
Source: Five-Year Plan Progress Report for 1953/54, pp.25-26 and *International Financial Statistics*, January 1955.

Since the drafting of the Five-Year Plan, which originally had in sight total external assistance of Rs 1,560 million in five years, several new sources of aid have appeared, for example, the new International Bank loans for the steel project (December 1952), the Damodar Valley Project (January 1953) and the Bombay electric power project (November 1954). Authorized amounts of grants have also reached about double what was originally assured. There is also a USSR loan on a steel project, on which an agreement is reported to have been signed in early February 1955.

While financial resources are hardly abundant they have probably not delayed expenditures under the Plan. The Planning Commission attributes the delay to such causes as late finalization of the Plan, delayed commencement of some of the schemes, insufficient prior working out of schemes, and the time needed for setting up necessary administrative machinery. In short, the principal difficulties appear to have been organizational. Unavailability of certain types of equipment as well as shortages of technical personnel[1] also seem to have hindered the smooth progress of the Plan.

Although the government is investing directly under the Plan in a number of industrial fields, such as steel, locomotives, ammonium sulphate, telephone manufacturing, etc., the major portion of industrial development is left to the private sector. However, for 42 major industries the Planning Commission formulated developmental programmes, with private business participating voluntarily: a five-year financial programme for the organized private sector was worked out indicating the probable sources of funds and the uses to be made of them. (See Chart 27) The total envisaged for the five year period is Rs 6,130 million of which "industrial expansion" is estimated to take Rs 2,330 million, or Rs 466 million per annum. Actual achievement in the first three years totalled approximately Rs 960 million, or 68.7 per cent of the target annual rate. Although accurate data are not available, expenditures on "replacement and modernization" are also estimated to be running short of the target annual rate.

Chart 27



Generally speaking, the supply of investible funds, for the 42 industries covered by the Plan, is said to have been inadequate. For example, it is estimated that against the target annual rate in corporate saving of Rs 400 million only the annual rate of Rs 90 million was achieved in the first two years. For new security issues, against the target annual rate of Rs 180 million the achieved rate was Rs 110 million

1. The following categories of personnel are mentioned by the *Five-Year Plan Progress Report* as having been in short supply thus far: village level workers, basic education teachers, health visitors, public health nurses, sanitary inspectors, overseers, draughtsmen, skilled operators and mechanics for the operation and maintenance of heavy earth-moving equipment, tool makers, experienced architects, and qualified accountants.

during the first two years.[1] This somewhat unsatisfactory state of affairs led to the setting up by the Reserve Bank of India with government approval of a "Committee on Finance for the Private Sector" in October 1953 (the Shroff Committee). The committee was asked especially "to examine why investment in the private sector has not reached the level envisaged in the First Five-Year Plan and in this connection to consider the factors, other than taxation, which influence investment in this sector." In the spring of 1953, the government had already set up the Taxation Enquiry Commission to make a comprehensive enquiry into industrial finance in relation to taxation.[2] The report of the Shroff Committee was made public in April 1954 and the report of the Taxation Enquiry Commission was submitted to the government towards the end of 1954.

A great deal has been said of the difficulties of mobilizing sufficient equity capital for the private sector. But a recent study[3] by the Reserve Bank of India, with a 44 per cent coverage of the aggregate paid-up capital of all public limited companies, reveals that even net of depreciation profits of Rs 364 million[4] were retained in these businesses in 1951 for further investment. Gross profits, inclusive of depreciation, reached Rs 629 million. The year 1951 was no doubt a prosperous year. But if these figures are compared with the target annual rate of gross corporate saving of Rs 400 million and if the difference in coverage is taken into account, corporate savings can hardly be treated as such a bottleneck as they are often claimed to be.

A number of studies[5] have shown that about one-third of new security issues were retained profits transformed into bonus issues. If that is so, net increase in paid-up capital of manufacturing (joint stock) companies during the three years from 1951/52 to 1953/54 would amount to Rs 706 million[6] net of bonus issues, an annual rate of Rs 235 million which compares quite favourably with the target annual rate of Rs 180 million for 42 industries.

The above analysis hardly suggests an inherent lack of investible funds for expanding private industries. Difficulties seem to lie, *inter alia*, in mobilizing equity capital for risky ventures. Recognizing this, the government has decided to set up two new corporations for industrial financing. While the established Industrial Finance Corporations (both of central government and of several States) confine themselves mainly to granting loans to, or guaranteeing loans raised by, established industrial concerns, the proposed Industrial Development Corporation will principally start new industries with government money in spheres where the size of capital required or the risk involved deters private capital. The government may operate the projects directly, with a view to their ultimate transfer, in general, to private hands, or may collaborate from the beginning in varying degrees with private enterprises. This corporation is also to be the agency through which the government may grant its special loans for modernizing the cotton textiles and jute industries.

The Industrial Credit and Investment Corporation, originally conceived in early 1953 in connexion with informal proposals from the International Bank for Reconstruction and Development and from the United States Government for financial assistance to stimulate India's private industries, is also now taking shape. Its capital is to be provided from (*a*) a $10 million loan from the International Bank; (*b*) a Rs 75 million loan, interest-free, by the Government of India, to be made from the counterpart funds of the $15 million assistance by the United States Government; and (*c*) the equity capital to be raised from private sources in India, the United Kingdom and the United States totalling Rs 50 million. This corporation will invest mainly in developing industries capable of development by the private sector, so that in general there will be no jurisdictional conflict with the government-owned Industrial Development Corporation. It will provide finance by way of long and medium term loans, participate in the equity capital of industry, or guarantee loans for other private investment. It will also furnish managerial, technical and administrative advice, and assist in obtaining such services to the Indian industry. The Government of India is to appoint a Director on the Board of the Corporation and shareholders' voting rights will be so limited as to ensure that the corporation is run in the wider interests of industrial development in India and not for the benefit of any one group of industrialists. The corporation is expected to be registered by the end of January 1955.

These two new corporations will undoubtedly give a new impetus to industrial financing for the private sector. A consortium of financial institutions for underwriting or investing in new issues of industrial companies has also been recommended by the Shroff Committee, and is under consideration by a committee appointed by the Reserve Bank in July 1954. Such an arrangement could enable private banks to participate in industrial financing far more than before without any substantial changes in the structure of their liabilities.

THE CURRENT SITUATION AND POLICIES

Agricultural production

Generally favourable weather conditions contributed greatly to a sizable increase in total agricultural production for 1953/54 over 1952/53, the index number of agricultural production (1949/50=100) rising 11 per cent from 102.0 to 113.5. The increase was for all major crops, except jute and sugar cane where prices seem to have affected planting adversely. Foodgrain production[7] in particular at 66 million tons,[8] or 22 per cent above the base year (1949/50), exceeded by more than four million tons the target set in the Five-Year Plan for 1955/56. This bumper crop has made it possible further to relax controls on prices and movements of foodgrains. On 1 January 1954, coarse grains were generally de-controlled. All restrictions on rice were removed effective July 1954. And on wheat all controls, except certain restrictions on inter-zonal and inter-State movements, have been lifted. Now there is even talk of exporting good-quality rice abroad.

1. *Report of the Committee on Finance for the Private Sector*, p.12.
2. The terms of reference for the commission are actually far broader than this. They cover, for example, the examination of "the suitability of the present system of taxation with reference to the objective of reducing inequalities of income and wealth."
3. "Company finances in India, 1950 and 1951", in *Reserve Bank of India Bulletin*, August 1954, pp.768-813.
4. If the coverage is restricted to texiles, chemicals and matches, engineering and other manufacturing and processing, the paid-up capital covered will amount to Rs 2,085 million or 23.5 per cent of the aggregate paid-up capital of public limited companies registered in India, and the net corporate saving comes to Rs 279 million.
5. For example, from the data available from the Controller of Capital Issue regarding the consents granted for "further" issues during 1951 and 1952, it is seen that nearly one-third were for bonus issues. Similar results were obtained in the studies made by the Reserve Bank of India for the period covring 1946 to 1951.
6. Net increase in paid-up capital of all the joint stock companies during these three years amounted to Rs 1,388 million, of which the increase in manufacturing companies was Rs 1,058 million.
7. In India, the spring crop of wheat in, say, 1955 is grouped with Kharif crops of 1954 to make a total of foodgrain production of the crop year 1954/55. Here this convention is followed in order to make the comparison with the Plan target possible.
8. The long ton unit is used for the discussion of foodgrains here.

The whole increase in the production of foodgrains, however, cannot be regarded as permanent. A study of the variation in production of the principal foodgrains in representative States of India from 1910 onwards shows that in any one quinquennium the best year's production may vary from the median by well over 20 per cent. Theoretically, therefore, the 22 per cent increase of 1953/54 over 1949/50 could be due largely to favourable weather. A further analysis in terms of regions and States suggests that wherever the increase was sizable either the weather conditions were favourable as in the north-west and central regions in general, or statistical coverage had clearly increased, as in Rajasthan. On the other hand, regions such as Uttar Pradesh and Bombay, with large expenditures on agricultural development, did not show very encouraging increases over the base year. Reported production may also have been increased because hoarding by producers was discouraged (and hence honest reporting encouraged) by the psychological effect of easier supplies.

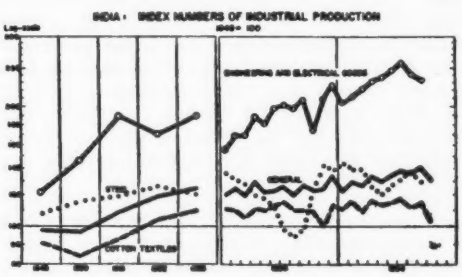
The Planning Commission estimates that "out of the total increased production of foodgrains of 11.4 million tons (compared with the base-year figure of 1949/50), something like 5 to 6 million tons represent a more or less permanent gain which will be retained in an 'average' year."[1] Although this estimate may seem optimistic, developmental expenditures on irrigation, reclamation,[2] etc., as well as the rapid diffusion[3] of the so-called Japanese method of rice cultivation are certainly making Indian foodgrain production more productive. Increasing use of chemical fertilizers, in particular, is a notable feature of the last few years. Some permanent improvement in foodgrain production is indicated by the expectation that 1954/55 production will maintain the 1953/54 level in spite of the extensive flood in the North-East.

Among other crops, cotton output in 1952/53 maintained the previous year's level of 3.1 million bales, while in 1953/54 the estimated production was 3.9 million bales. The production of oilseeds at 5.6 million tons in 1953/54 is close to the target for 1955/56 envisaged in the Five Year Plan. Production of jute which declined slightly in 1952/53 as compared with 1951/52 suffered a further decline in 1953/54, due to adverse weather conditions and greater fall in price relative to paddy. Production of sugar cane was also lower. On the whole, in 1952/53 and 1953/54 agricultural production had improved substantially over 1951/52 and this has reacted favourably on the whole economy.[4]

Industrial activities and transport

Although India has had cotton mills for a hundred years, the industrial sector of the economy as a whole has only recently begun to develop in its diversified manner. The industrial production index, as now compiled, still gives 60 per cent of the total weights to cotton textiles and jute and another 12 per cent to coal. The movement of this index with several components is shown in chart 28 and records a continuing rise in industrial production as a whole with the annual rate of increase declining from 11.6 per cent in 1951 and 10.0 per cent in 1952 to 4.9 per cent in 1953 and 5.0 per cent in the first half of 1954 relative to the corresponding period in the previous year. The rapid expansion after the Korean-war boom now seems to be slowing down to a more or less normal rate of increase.

Chart 28



The most significant progress, however, is the diversification of the industrial structure through the expansion, for example, of engineering and chemical industries. Remarkable examples of increases in manufacturing capacity between 1950/51 and 1953/54 are ammonium sulphate (441%), bicycles (265%), sheet glass (258%), diesel engines (189%), rayon filament (180%), cables and wire (165%), and caustic soda (100%). Of these young industries, however, only a few have approached the capacity targets indicated in the Five-Year Plan; and in actual production, most manufacturing industries in 1953/54 are still well short of the targets set for 1955/56.[5] Among the 42 industries specified in the Five-Year Plan, current production has already gone over the Plan-end targets only in mill-made cotton cloth and vegetable oils. In some manufactures (e.g. automobiles, agricultural implements and machinery, ring spinning frames), slow development is said to be due to a fall in effective demand for domestic products. In some others (e.g. aluminium production), the delay in providing the necessary electric power is given as the explanation for the expansion scheme's falling behind schedule.

On the whole, however, industrialization is progressing more or less on schedule. Many important industrial projects got under way during 1953/54. In the government sector, after further progress on the steel plant agreement with the Krupp-Demag combine calling for tenders and the construction of the plant are now expected to begin during 1954/55. The Hindustan Housing Factory started the manufacture of components of pre-fabricated houses during 1954; the government machine-tool factory at Jalahalli turned out the first batch of lathes in November 1954; the Integral Coach Factory, Perambur is expected to manufacture its first coaches in 1955; and the Penicillin and D.D.T. Factories to start operating by March 1954.

In the private sector also, there are a number of major industrial projects at varying stages of development in the current year, such as the petroleum refineries of the Standard Vacuum Oil Company and Burmah Shell, the former of which

1. *Five-Year Plan Progress Report for 1953/54*, p. 58. According to the final estimate, the total increased production of foodgrains in 1953/54 was 12 million tons over the base-year figure.
2. The programme of reclamation of land carried out by the central government has resulted in reclamation of about 270,000 hectares of waste land in the first three years of the Plan as against the five-year target of 550,000 hectares.
3. In 1954, the so-called Japanese method covered on area of 162,000 hectares; in 1955, it is expected to spread over 809,000 hectares.
4. *The Consultative Committee for Co-operative Economic Development in South and Southeast Asia, Third Annual Report*, p.36.
5. If we compute, for the 42 industries specified in the Five-Year Plan, the percentage increase in capacities of 1953/54 over 1950/51 and also the percentage increase in actual production of 1953/54 over 1950/51 and rank them in order of relative magnitude of increase, we find that capacity increases and production increases are inversely correlated. Generally speaking, where capacity increases were high, production did not rise very much; and where production rose markedly it apparently was by way of utilising the existing capacities.

began production in July 1954;[1] a sheet-glass factory, with an approximate annual capacity of 10,000 tons of sheet glass, which went into production in July 1954; a plant to manufacture 1,200 tons of cellulose acetate rayon filament; and many others. For a young industrial country like India, significance should also be attached to a list of new products manufactured for the first time during the past year, such as staple fibre, cement grinding media, hosiery knitting needles, multi-spindle drilling machines, aureomycin, synthetic acetic acid and acetone, etc.

Of the established industries, cotton textiles are beyond doubt the most important; and here converge a number of problems peculiar to this country. The country now requires about 4,600 million square metres per year for domestic consumption at the *per capita* rate of 12.35 square metres; against which the current annual production is 5,440 million square metres, 4,100 million by mills, 1,170 million by handloom, and 170 million by small-scale powerloom units. The programme of development now envisaged by India as proposed by the Textile Enquiry Committee is to raise annual consumption to 15 square metres *per capita* by 1960, thus raising the domestic requirements to 6,020 million square metres, and to attempt to maintain the export target of 836 million square metres at the same time. The composition of supply, however, is to be adjusted in such a way that while the mill production will be pegged at 4,180 million square metres the handloom sector will be expanded to double the present volume of production through the replacement of the existing 1.3 million ordinary handlooms by power looms and semi-automatic looms over the coming six-year period. It has been recommended by the Textile Enquiry Committee that mills may be modernized through the phased programme of introducing 5,000 automatic looms a year. Such a programme of modernization of the industry as a whole, which is called for in the interest of economic use of resources, has to be harmonized with a number of equally important considerations, such as the preference of the Indian people for handloom products and the necessity of maintaining employment in the industry.[2] The handloom sector, for example, now affords employment to approximately 1.5 million people in terms of whole time work for 200 days in a year, with a possible unemployment of about 400,000. Moreover, despite the fact that this sector is now subsidized by a special cess on mill cloth, it continues to suffer from a number of handicaps, such as the irregular and uncertain supply of yarn of the right counts, lack of facilities for dyeing yarn, lack of facilities for marketing, difficulties of finance, etc. All these problems and many others lie ahead of the cotton textiles industry of India.

Any plan of rapid economic development calls for a co-ordinated programme of expansion of *transport* facilities. As the implementation of the Five-Year Plan progressed, it was soon discovered that the provision for transport development was not adequate. In fact, the Planning Commission admits that "the transport difficulties became specially noticeable during the third year of the Plan i.e., 1953/54 . . . The movement of essential traffic including coal, soft-coke and brick-burning coal continues to be subject to the limitations of (railway) line capacities over certain sections and the availability of rolling-stock".[3] Thus, for the railways, the development target for the Plan period has been further raised recently. For example, the target of procurement, under the Plan, for locomotives was raised from 1,038 to 2,062; for wagons from 49,143 to 60,428; and so on. At the same time, measures to supplement rail transport facilities with other means of transport, particularly road transport, are receiving special attention. An inter-departmental study group is now working on various aspects of the problem of improving transport facilities to match the developmental requirements, and its recommendations are expected to come out shortly.

In the programme for shipping development progress in adding overseas tonnage has been slow. Of the 70,000 gross registered tons proposed for the Plan period none were added in the first two years and only in the third year was an addition of 14,000 GRT made. Development of major ports has also been behind schedule. Of the total expenditure of Rs 243 million provided for the four major ports for the five-year period, only Rs 28.5 million, or less than 12 per cent, has been spent by the end of the third year. But here the shortfall has been mainly due to the slow finalization of the Plan and the unavoidable delay in the delivery of equipment and machinery that has been ordered. Increasing attention is also being given to the development of inland water transport.

Related to the problem of business activities as a whole is the question of the *Indianization of foreign firms* in India. It has been the policy of the Government of India since independence to promote the idea of gradually increasing the proportion of Indian personnel in the higher-paid technical and managerial categories in predominantly foreign-controlled companies in India. The method used for bringing this about has been largely exhortation except for the occasional resort to the visa authority of the government in the case of non-British foreign nationals. Statistics compiled by the Ministry of Commerce and Industry seem to indicate a steady progress in this regard.[4]

Along with the question of Indianization of firms, the Government of India has announced the policy of gradually enlarging the share of Indian firms in foreign trade and the ancillary services of exchange banking and insurance. A beginning was made with a sample survey of the relative shares of Indians and non-Indians, conducted by the Reserve Bank and published in 1954. The broad picture emerging from the survey, which relates to 1951 and 1952, is that 70 to 75 per cent of India's import is in the hands of Indian firms while their share of the export trade is somewhat smaller,

1. The present requirements of India are about 80,000 bbl of crude oil per day. These two refineries and the proposed Caltex refinery, when completed, would refine 75,000 bbl per day. The total foreign investment in these three refineries will amount to Rs 500 million. Foreign private investment of this magnitude has never been undertaken in any other industry in India since independence.

2. See, *infra*, the section on "Prospects and policies".

3. *Five-Year Plan Progress Report for 1953/54*, p.227.

4. The proportion of Indians in the salary group of Rs 1,000 or above has risen from 7.9 per cent in 1947 to 24.4 per cent in 1952 and to 32.4 per cent in 1954, although the absolute number of non-Indians in this category is generally on the increase, from 5,844 in 1947 to 7,008 in 1954. The predominance of foreign nationals in the higher-salary group is especially marked in certain types of business, such as plantations and jute mills. No doubt, such a break-down of high-salaried personnel may not by itself reveal very much. From the standpoint of the Indianization programme it may be more important to know the qualitative character of controls retained by foreigners.

being 60 to 68 per cent.[1] The commodity-wise analysis shows that for tea export and oils import, non-Indian firms hold the major share. As for the foreign exchange business, the share of British exchange banks is by far the largest, financing more than half of India's export trade and about 60-65 per cent of its import trade. The share of Indian banks is altogether about one-fourth.

Unemployment and labour supply

From the outset of the Five-Year-Plan, the Government of India seems to have been aware of the problem of unemployment and of chronic under-employment, and, in particular, of the fact that the employment opportunities for the educated class have in recent years been severely limited in relation to the supply of such personnel. However, the First Five-Year Plan did not lay its primary emphasis on full employment on the ground that "if productivity of labour cannot be increased in the short run, and particularly if the availability of basic essentials like foodgrains cannot be increased, a programme of full employment, designed primarily to put to work all idle labour, runs the risk of breaking down on account of excessive pressure of money incomes on available supplies".[2] And on the educated class, the Planning Commission took the position that "it is only when a more rapid expansion of the industrial sector than is envisaged in the present Plan takes place that there will be a possibility of increasing avenues of employment for the educated class."[3]

Although the implementation of the Plan has been behind schedule, it must be said that it was not intended from the beginning that the First Five-Year Plan should make any substantial headway towards solving the unemployment problem. But the problem leapt to the forefront of political and economic discussion in the spring of 1953 and has since attracted a great deal of attention.[4] Many local surveys on unemployment were initiated after this, and the sustained public discussion on the unemployment situation in urban areas finally led at the end of 1953 to an increase in the size of the Plan by Rs 1,800 million,[5] which amount was specifically designed to promote the creation of jobs for the educated class. Some of the surveys which were initiated at the time have been completed and reveal the general picture of unemployment in relation to the population and the working force. A sample survey of 4,000 households of Calcutta city, for example, showed that the working force consisted of 40.3 per cent of the population, and that of the aggregate working force roughly a fifth was found unemployed and half of the unemployed persons belonged to the white-collar groups. The result of a survey in Travancore-Cochin is somewhat similar, indicating the ratio of unemployment to the working force of 16.1 per cent for men and 13.2 per cent for women. The survey further revealed that the unemployment in both the sexes was highest in respect of families with an annual income of over Rs 1,000, thus indicating that the incidence was highest in the case of the middle class.

These and other surveys give an approximate picture of the unemployment situation which is not new in India. There are few comprehensive, reliable statistics permitting to ascertain current changes. Employment figures in the central government and mining are currently available, and both show a steady rise for the past several years up to the middle of 1954. One indication of current changes in the employment situation is afforded by monthly statistics of the employment exchanges. There, the monthly number of placements as percentage to the total number on the register at the end of each month has declined continuously in the past few years from 8.4 per cent for June 1952, to 3.4 per cent for June 1953, and finally to 2.7 per cent for June 1954. In terms of absolute figures, the number on the register increased by 44 per cent while the number of placements decreased by 54 per cent between June 1952 and June 1954. For the reasons that persons who are already employed often seek better employment through the exchanges and also that greater and greater use is being made of these exchanges by job seekers in urban areas, the statistics derived here may not tell very much about the actual trend in unemployment. But at least the fact of declining trend in placements is indicative of less active demand for labour in the markets covered by the exchanges.

In short, the problem of unemployment or chronic underemployment has been with India for many years, but it appears that unemployment in urban areas, particularly of the educated class, has been becoming steadily worse in recent years. This fact has acted as stimulus to bring about a somewhat sudden awareness of the problem of unemployment in general and is now apparently forcing the hand of the government to set its sights rather high in the Second Five-Year Plan to cope with this problem.

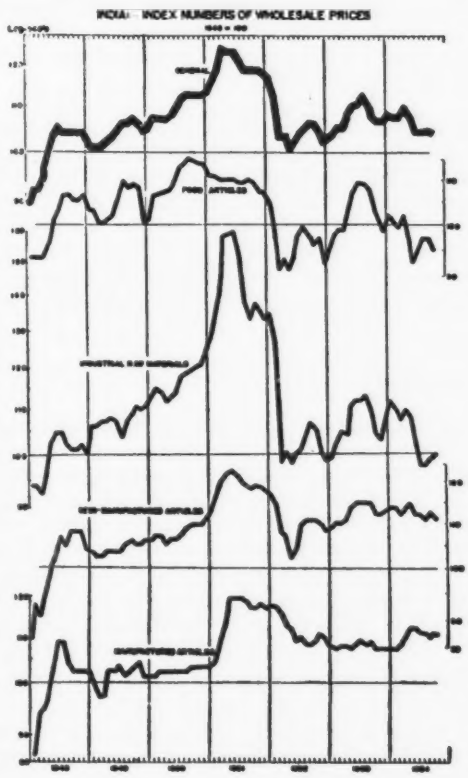
Prices and monetary developments

In four and a half years since the outbreak of the Korean war, wholesale prices in India experienced two peaks and one trough. They first rose, in consonance with the international trend in prices, to a level 15 per cent higher than the pre-Korean-war figure, and hit the peak in April 1951. The downward movement lasted thirteen months until May 1952 when the general index stood at about 8 per cent below the pre-Korean-war base. It ascended again until August 1953 when it struck a minor peak, or 3 per cent above the base. Since then, the trend has generally been downward, and by August 1954 it stood 4 per cent below the level of June 1950. A comparison of the current level with that of the month when the Five-Year Plan was initiated shows a decline in prices recorded of as much as 16.5 per cent.

Group components of wholesale prices have moved roughly in consonance with the general index, the only significant exception being prices of manufactured goods. While other components have generally moved downward since August-September 1953, manufactured articles have maintained themselves and, as a group, they are currently at the level 8-9 per cent higher than the pre-Korean-war base. If food articles and raw materials components are combined into one index and compared with the component index for manufactured articles, the gap between them in August 1953 was 7 percentage points relative to the pre-Korean-war base and it rose to 21 percentage points in August 1954.

1. These figures, however, exclude the traders who are entitled to the special facilities of retaining the proceeds of their exports and utilising them for financing imports. These facilities are mostly enjoyed by big European firms; and if they are taken into account, the consolidated share of Indian firms is lowered by 5 to 9 percentage points from the figures given above.
2. *The First Five-Year Plan*, p.24.
3. *Ibid.*, p.656.
4. *Economic Survey of Asia and the Far East, 1953*, pp.65-66.
5. A further expansion of Rs 360 million was made in late 1954.

Chart 29



Movements of individual prices are of course varied. Significant trends to be noted in the course of last year are as follows:

(*a*) Prices of cereals, with a marked seasonal pattern of a peak in August, maintained their downward trend through the year 1954, obviously reflecting the substantial improvement in the supply situation unaccompanied by any increase in effective demand. The further relaxation of controls in foodgrains in 1954 was not followed by any such rise in prices as occurred during the decontrol experiment of 1947/48.

(*b*) Prices of oilseeds generally declined during a year up to September 1954, showing a fall of 32 per cent as a group. This, however, should be seen against the background of the 23 per cent rise which took place during the previous year. Even as the prices fell, the government took a cautious attitude on the export quota, being anxious to keep at a reasonable level prices of edible oils at home. The ban on export of groundnut oil was lifted in July, but an export duty of Rs 350 per ton was imposed and the market failed to respond. The duty was subsequently lowered to Rs 225 per ton.

(*c*) Jute manufactures, which had felt the impact of substitute commodities in the world market, still stood at prices of 84 per cent of the pre-Korean-war base despite the fact that there had been a rise of 22 per cent during the year ending in September 1954.

(*d*) A most remarkable rise, of 63 per cent, took place in the price of tea between September 1953 and September 1954, mainly under the stimulus of an increased demand abroad.

The trend in the consumer price index for the working class has followed more or less the pattern of movements in wholesale prices. For India as a whole, the third quarter of 1953 recorded a peak (113, with 1948=100), largely a reflection of high prices in food articles. Since then, the index has been gradually falling for more than a year and stood in the autumn of 1954 at a level slightly above the pre-Korean-war figure. The change is beyond doubt due to the improvement in food supply; but it may be pointed out that the food component in the consumer price index has shown a greater flexibility in the price-rising phase than in the price-falling phase when compared with the food component in the wholesale price index.[1]

Net output of the government sector occupies now close to 10 per cent[2] of India's net domestic product and naturally the effect of fiscal operations on the monetary situation is considerable. Table 45 gives the magnitude of deficit of the Central Government for recent years, with the break-down showing the method of financing. According to the concept of deficit, as adopted by the Government of India, which is the sum of the increase in floating debt and the decrease in cash balance, the deficit approximates the net increase in purchasing power in the community arising out of budgetary operations. The total deficit in this sense was Rs 645 million in 1952/53, and is estimated to have been Rs 1,283 million in 1953/54 and Rs 2,379 million in 1954/55. If deficits of State governments are added on a consistent basis, the over-all deficit of the public sector becomes Rs 850 million for 1952/53, Rs 1,540 million for 1953/54 and Rs 2,930 million for 1954/55. Since the final accounts figures often turn out to be widely different even from revised estimates, it is as yet too soon to assess the impact of budgetary operations upon the monetary situation of the country either for 1953/54 or for 1954/55.

TABLE 45

INDIA: FINANCING OF CENTRAL GOVERNMENT BUDGET DEFICIT

(million rupees)

	1952/53 A	1953/54 RE	1954/55 DE
Deficit	878.1	2,570.5	4,164.9
Domestic borrowing (net)..	242.7	2,087.5	4,286.1
(of which, Treasury bills (net))	(9.5)	(800.0)[a]	2,500.0)
Decrease (+) and increase (—) in cash balance ..	635.4	483.0	—121.2

Sources: United Nations Fiscal Division and Reserve Bank of India.

General note: The deficit of Central Government has been adjusted to include credits under the annuity for sterling pensions, receipts for sale of war surplus stores and under State trading schemes (net) and net payments under "remittances". "Domestic borrowing (net)" includes foreign borrowing and receipts of Special Development (foreign aid) Funds. A denotes accounts, RE revised estimates and DE draft estimates.

a. The latest estimate gives Rs 200 million.

1. Thus when the latter fell by 12.5 per cent between 1951 and 1952, the former fell only by 1 per cent. When the wholesale price rose by 11.3 per cent between the first and third quarters of 1953, the consumer price rose by 13.3 per cent. The latest fall in consumer food prices has been more or less parallel with that in wholesale prices, but the consumer food price index now stands about 10 percentage points higher than the wholesale counterpart whether the pre-Korean-war base or the 1948 base is used.
2. Such percentage was 7.2 in 1950/51. But since then the scale of government operations has expanded nearly by 50 per cent.

It appears fairly certain, however, that taking account of the latest revision reported, the over-all deficit as defined by the Government of India in 1953/54 was not very far above that of 1952/53, or equivalent to roughly one per cent of India's national income. For the current year, it is still too early to make any assessment.

Even though government borrowing from sources other than central bank may have a net inflationary effect upon the economy, it is also pertinent to ask how far total expenditures are being met by current surplus. For the Central Government, the percentage of developmental expenditures covered by current surplus has declined from 100 in 1951/52 to 43.4 in 1952/53, and to 6.7 in 1953/54; in 1954/55 there is no current surplus to finance the developmental expenditure.[1] Although the increase in expenditures is mainly due to the developmental programme, the recent declining trend in tax revenue is no source of encouragement. The government set up the Taxation Enquiry Commission in the spring of 1953 to make a thorough-going review of the present tax system, and the commission's recommendations were submitted to the government towards the end of 1954. It is now up to the government to make whatever adjustments are needed.

The over-all deficit, along with the external payments surplus, were clearly reflected in an increase in money supply with the public of 5.3 per cent in 1953/54. The general index of wholesale prices rose by 3.1 per cent during the same period. But when we compare the average price levels of the first nine months of 1953 and 1954, there is even a slight fall. Thus it seems certain that the increase in money supply of 1953/54 was in accordance with the growing requirements of a developing economy, reinforced by the restoration in a substantial measure of free trading in foodgrains.

A longer-range view of the monetary situation is again different. For the three full years of the Five-Year Plan ending in March 1954, there is recorded a decline in money supply with the public of Rs 1,203 million, or 6.1 per cent, despite the fact that the over-all deficit totalled Rs 963 million during the same period. Factors which accounted for the contraction were firstly the external payments deficit (which resulted in the decrease of foreign assets held by the Reserve Bank), secondly a sizable increase in time deposits, and thirdly a continuous decline in the rupee securities held by the Reserve Bank. In view of the substantial expansion in agricultural and industrial production, and thus of trading activities as well during these three years, the monetary situation under the Plan must be considered as under satisfactory control.

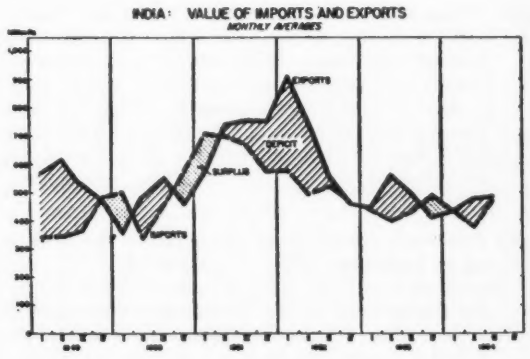
The current situation, however, points to a slightly more expansionary trend than in the previous year. During the months of May to September 1954, the so-called slack season, the decline in total money supply was Rs 815 million, which is the smallest seasonal decline since 1948 and amounted to only 45 per cent of the increment in money supply during the preceding busy season. This relative buoyancy in the slack season seems to be accounted for by failure of scheduled banks' credit to contract as much as usual and also by a substantial increase in rupee investments of the Reserve Bank. However, by the end of 1954 there was as yet no sign of untoward monetary development in spite of the fairly large deficit that is expected.

One of the most significant developments between the Centre and the State governments in the financial field is the increasing aid from the Centre, given in the form of shared taxes, grants and loans. Such aid increased from Rs 1,497 million in 1951/52 to Rs 2,665 million in 1953/54 and Rs 3,666 million in 1954/55. The inability of the State governments to meet their increasing development expenditures through increased taxation and borrowing has led to increasing aid by the Centre.

Trade and payments

The downward trend in commodity trade, observed since 1951-52, continued in 1953-54. Both imports and exports declined in 1953 from the previous year's total. But since imports declined more than exports, the trade balance improved by as much as Rs 1,380 million, but still with a deficit of Rs 456 million. A similar trend continued into the first half of 1954, when the volume of trade declined further and the trade balance kept on improving relatively to the corresponding period in 1953. Thus the government continued its general policy of liberalizing imports and promoting exports, such as the increased import quotas for sugar and rayon yarns and the abolition of export duty on manganese ore. Also, a system of giving a rebate of import duty on raw materials and components used in the manufacture of goods subsequently exported has been further broadened in 1954.

Chart 30

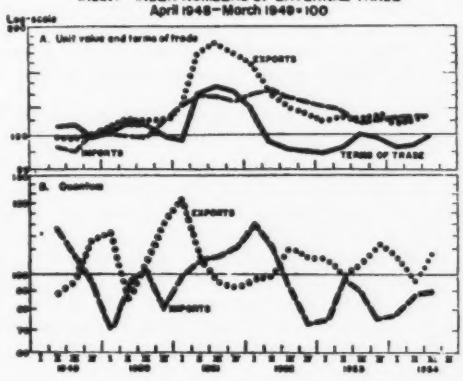


The decline in value of external trade is partly due to the general fall in prices of both export and import goods from the peak of 1951-52. But even the quantum indexes show a slight downward trend, being 83 cent of the 1948-49 level for imports and 103 for exports in the first half of 1954 as compared to 85 and 104 respectively for the same period in 1953. The net terms of trade, which deteriorated after the Korean-war boom, have gradually recovered in the course of 1953-54, recording an improvement of 14 per cent in the second quarter of 1954 over that of 1953.

1. Based on the accounts figures for 1952/53, the revised estimates for 1953/54, and the draft estimates for 1954/55. Fiscal year ends on 31 March.

Chart 31

INDIA: INDEX NUMBERS OF EXTERNAL TRADE
April 1948–March 1949=100



More specifically, the decline in imports is largely accounted for by reduction in imports of foodgrains and raw cotton made possible by larger domestic supplies. Purchases of raw jute from Pakistan also shrank, but this is to be explained more by the lower level of home manufacturing. However, a longer-range comparison between 1948 and 1953 indicates that relative weights of major import commodities in the total have not shifted very much, the only exception being a sizable increase in mineral oils from 6.9 per cent to 14.6 per cent. On the export side, the decline in 1953 from the previous year is generally explained by the price factor, but commodity-wise the decline is especially pronounced in jute products and vegetable oils. Tea was an exception, showing an increase in value of nearly 30 per cent on the strength of the price rise. A comparison of the relative composition of exports between 1948 and 1953 reveals that the share of jute products declined from 37.0 per cent to 22.1, while those of tea and of cotton products rose from 13.6 to 20.5 and from 9.0 to 12.7, respectively.

Reflecting the improved balance in commodity trade, the balance of payments for 1953 resulted in a surplus of Rs 591 million on current account as compared with the Rs 17 million surplus for the previous year. The improvement was especially marked in the fourth quarter of 1953, a direct reflection of the surplus in trade balance. The first quarter of 1954 continued with surplus in the payments balance as a whole of a scale similar to that of the same quarter in the previous year. Such changes in the balance of payments trends are further reflected in the foreign exchange reserves of the country which can be approximated by the movement of foreign assets of the Reserve Bank. It recorded a significant rise in the second half of 1952, then a decline towards the autumn of 1953, and again a rapid rise up to the spring of 1954 to a level about Rs 400 million higher than a year earlier. The trend since then is again declining, but by the end of September 1954 foreign assets held by the Reserve Bank were higher than at the same time in 1952 or 1953 by Rs 300 million or more.

Changes in the regional pattern of payments are also to be noted. Over the short run, the outstanding change in 1953 compared with 1952 was *vis-a-vis* the dollar area, where an improvement of Rs 1,422 million took place, mainly due to a decline in wheat imports. The position towards the sterling area, Pakistan, and OEEC countries has deteriorated by nearly Rs 400 million in each case, while India's relation with other non-sterling countries (excepting OEEC countries) has improved considerably, by more than Rs 300 million. In each case the shift has been mainly the result of changes in commodity trade which have been discussed earlier. A longer-range shift in the regional pattern of commodity trade is also significant. Whereas ECAFE countries took 27.8 per cent of India's exports and shipped 23.9 per cent of its imports in 1948, their share declined in 1953 to 19.1 and 13.6 respectively. Meanwhile, the share taken by western Europe increased both in exports (from 31.2 to 36.6 per cent) and imports (from 31.4 to 42.5 per cent) between these years.

PROSPECTS AND POLICIES

India's economy is often described in broad institutional terms as based on the principle of 'mixed economy.' Though no precise definition of this term is generally accepted, it commonly connotes a condition where private enterprise is encouraged to function within limitations set by a type of State planning, designed for social welfare and exercised by democratic control.

India's task is so to accelerate its economic development, while adhering to the precepts of mixed economy, as to absorb an enormous number of unemployed into productive work within a reasonable time. One estimate, admittedly crude, places the total number of people unemployed at about 15 million.[1] If so large a surplus working force is to be absorbed in, say, ten years, the annual increase in productive employment has to be 1.5 million plus an increment of 900,000 due to the increase in population. The creation of 2.4 million new jobs annually, with the average income per head of Rs 1,000 in the non-agricultural sector, would require the total investment in the economy of the order of Rs 10,000 million, making allowance also for the considerable investment in agriculture that would be needed.[2] Such a target is formidable, when compared with the current annual rate of net investment of about Rs 5,000 or 6,000 million, and indicates the magnitude of this problem which India has to solve *pari passu* with the equally important task of increasing productivity.

Full employment and maximum production have been two aspects of India's problem which *in abstracto* could be complementary but in certain actual cases are found difficult to harmonize. The controversy during 1954 over a rationalization measure, the introduction of automatic looms in cotton mills, provides an example. The Congress Parliamentary Party acted against it in March 1954 in the interest of the security of the workers concerned; a special conference convened in April, under the auspices of the Planning Commission, on receipt of an application from two companies for permission to install such looms, reached no conclusive decisions; and after months of controversy and a final thorough debate in September the Parliament defeated a resolution placing full employment before maximum production, and passed one that suggested a compromise.

In the early years of the Plan the positive measures demanded of the government to improve the situation were not difficult to perceive. But as the task has become more concrete and definite, issues have been recently joined on

1. Speech by Mr. C.D. Deshmukh in the Parliament, 20 December 1954.
2. Figures in this sentence are also taken from Mr. Deshmukh's speech on 20 December 1954. Presumably, he is thinking of new jobs in the non-agricultural sector, for the annual increment of working force in India is nearly 2 million. It seems to be implied also that the capital/output ratio of the non-agricultural sector would be about 3 to 1.

many fronts, and definite solutions demanded of often conflicting *desiderata*. For example, the report of the Shroff Committee states that "the rate of return which entrepreneurs can obtain or expect at present is not sufficient both to satisfy all the needs of labour and to provide adequate resources and incentive for further investment." Though this statement may well be disputed, it cannot be denied that private capital in India knows clearly what to ask for, and is stating it more articulately than before. In fact, when the Shroff Committee discusses as factors inhibiting private investment "the constant threat of nationalisation overhanging undertakings in the private sector", and "procedural uncertainties and difficulties which arise from the regulative powers assumed by the State", it is presenting a challenge to planners of India how best to harmonize the precepts of mixed economy with a rapid economic development.

In 1955 the Second Five-Year Plan will take shape, and it is generally expected that industries will receive a greater emphasis than in the first Plan. If the current Plan has laid stress on a more effective utilization of existing capacities in industries, the coming Plan is expected to call for expansion and modernization of capacities in many lines. And the role of private capital will naturally be greater in this process. Signs are not wanting of capital's increasing confidence, such as the continual rise in the prices of private industrial shares by as much as 30 per cent between September 1953 and September 1954 and also public utterances of business leaders indicative of a firmer grasp of events at the present juncture.

The government, on its part, does not seem to have departed from the general philosophy of mixed economy.[1] Rather, it has continued the pragmatic search for techniques and instruments of planning peculiarly adapted to the country, and succeeded in diversifying the forms of co-operation between public and private sectors, as in the formation of the Industrial Development Corporation and the Industrial Credit and Investment Corporation. On specific issues, however, it will be called upon more and more to give definite answers to problems arising from conflicts and strains peculiar to a country which is trying to achieve a rapid economic development under the conditions of mixed economy.

1. The Indian National Congress at its party meeting in January 1955 adopted a resolution which stated that "planning should take place with a view to the establishment of a socialistic pattern of society where the principal means of production are under social ownership or control".

Chapter 13. INDONESIA

With a population of 80 million, Indonesia has an area of 1.9 million sq. km. In some islands (especially Java) population is dense and disguised unemployment is common; in others it is sparse but natural resources are available for development.[1] Out of the total area of 190 million hectares only 11 million hectares or less than 6 per cent are cultivable, with 6.6 million under paddy and 450,000 under tappable rubber. Small-holding agriculture remains the mainstay of the people, but estate agriculture, introduced in the last few decades of the nineteenth century, turned many subsistence cultivators into wage earners and increased the economy's dependence on imported food.

Indonesia is one of the raw-material producing countries of the region exporting rubber, tin, petroleum, copra and sugar—all products with fluctuating world markets.

Industrial production, mainly handicrafts, is comparatively limited at present. The once highly developed handicraft production of batik, metal and woodwork has dwindled under the competition of imported manufactured goods and the influence of estate agriculture. Before the second world war the government made a serious attempt to re-establish or promote handicrafts and small-scale industries which has been continued after the war. Until recently there has been practically no industrial processing of Indonesia's main export materials and manufactured industry has been a rather recent development. Modern means of transport and communication were introduced earlier, but Indonesia's three thousand islands, spread out over nearly four thousand miles of sea, raise special transport and communication problems.

In the last few years an increasing proportion of the economy is being governed, directly or indirectly, by public authority. The government has established many organizations to implement its development programme. For instance, the Food Fund manages the import and sale of rice, the Copra Fund the domestic sale and export of copra; the Department of Industry and the Bank Industri Negara (a State industrial bank) finance, control or operate various industries. The Bank Indonesia, established with effect from 1 July 1953, has assumed certain central banking functions but there is still need to perform these and other functions adequately. Increasing control has been imposed on foreign trade and exchange. Various measures have been adopted to increase the role of Indonesian interests (and to decrease the role of Dutch or Chinese interests in various sectors of the economy. KLM (Royal Dutch Airlines), who have owned Garuda-Indonesian Airways jointly with the Indonesian government, have recently reached an agreement with the government to withdraw from the ownership and management of the Airways. Finally the National Planning Bureau is co-ordinating nation-wide plans which are being implemented by each ministry.

1. Economic and political conditions in Indonesia are not suitable at present for their utilization on any significant scale.

DEVELOPMENT PLANS AND POLICIES

The National Planning Board was established in 1952 both to make plans for the development of the economy and to lay down the principles for building up a sound national economy. The Board consists of the Cabinet-ministers in charge of matters pertaining to the economic and social development of the country and is presided by the Prime Minister.

The Board has at its disposal the National Planning Bureau,[2] which serves as the executive unit of the Board and is charged with the preparation of an economic and social plan on a nation-wide scale. Owing to insufficiency of trained personnel the Bureau could only start to work by September 1953, while due to lack of basic data it could not complete its five-year plan by the end of 1954. In the meantime, particular development schemes sponsored by the various Ministries are scrutinized by the Bureau before they are finally approved by the Planning Board. The most significant aspects of the various plans are set out below.

While increase of food-production has a very high priority, because it needs less capital, conserves foreign exchange and reduces the country's dependence on imports, the plan aims at industrial development in the shortest possible time.

A pre-requisite for industrial development is the availability of sufficient and cheap power. The plan therefore aims in the first place at the establishment of new and the development of existing power-stations. Two big projects have the highest priority, i.e. the Asahan-project and the Djatiluhur-scheme. Under the Asahan project scheme; which has been drawn up as a result of the survey of the Asahan Valley and the surrounding region, installation and generation of 800,000 kW of hydro-electric power would be possible. Although at present it is contemplated that all of this potential power will eventually be tapped, it is expected that within the next five years 100,000 kW will be generated especially for the fertilizer factory. This development—the generation of 800,000 kW—could provide cheap power for a number of industries such as the manufacture of aluminium, fertilizers, pulp and paper, cement, iron and steel.

The Welfare Plan for West Java contemplates the provision of improved irrigation facilities in the North Western region of Java. It is proposed to build two water reservoirs, the Waduk Djatiluhur and the Waduk Tarum, in the Tjitarum River. This scheme will improve the water supply of Djakarta and will also provide navigation facilities for river vessels up to 500 tons, between Djakarta and Tjirebon, a distance of 200 km. The above-mentioned project will also provide hydro-electric power of about 350,000 kW which will provide power for a number of industries in and around Djakarta and in West Java. It is expected that within the next five years only the Waduk Djatiluhur will be built and 150,000 kW will be generated.

2. UN Technical Assistance experts have played an important role in the work of the Bureau.

Food production development can be summarized as follows. In 1952 $130 million[1] or about 20 per cent of total foreign exchange earnings were absorbed by food imports. Food production was 10 per cent less than requirements, and the Kasimo-Wisakaseno Welfare Plan was promulgated in 1952 to eliminate this shortafall by using improved methods and better seeds, fertilizers, irrigation facilities, and implements, so as to achieve food self-sufficiency by 1956. However due to the favourable weather and the activities of the farmers themselves the production of rice has reached the stage of self-sufficiency in 1954, so that the imports of 150,000 tons have been used primarily for precautionary measures. The production of other food crops has increased satisfactorily, so that no export restriction has been applied to corn and tapioca. The acreage under cultivation was also increased.

In 1954, the government has prepared a Rp 6,000 million Five Year Agricultural Plan,[2] which will be the basis of the over-all national planning with respect to agricultural sectors now being prepared. The plan includes the raising of rice production on a self-sufficient basis from 7.1 million tons annually to 8.6 million tons; and of the production of animal protein to about 70 per cent of the requirement or about 1,920,000 tons of fish and meat at the end of 1959.

The plan also aims at an annual production of fibre (rami and cotton) of 48,000 tons covering about 25 per cent of the requirements; at the annual replantation of 87,000 hectares of small holders' rubber plantation and the rehabilitation of the estates' production to the pre-war level. Another development plan is a Rp 2,387 million Five Year Irrigation Plan to increase the irrigated area by 870,000 hectares (including 314,000 hectares of rice fields).

The *transfer of population* mainly from Java which contains about two-thirds of the total population of Indonesia and where about 30 per cent of the rural population are underemployed) to sparsely populated islands is under constant active consideration. Such a transfer of population to areas with adequate dry farming land will be an important basis of agricultural improvement and the only possible solution to the problem of overpopulation. Accordingly, the three Ministries of Social Affairs, Defence and Internal Security have moved respectively civilian population, rehabilitated members of dissident groups and demobilized forces and police employees; they intend if possible within a few years to move 500,000 people per annum. During 1953 some 50,000 people in 10,000 families moved from Java to South Sumatra and South Borneo, at a cost of Rp 67 million. Under the plan for transfer of population in 1954, each family is allotted a tract of 1¾ hectares of irrigated field and ¼ hectare of garden plot, in addition to provision of textiles, cooking utensils, agricultural implements, seed food for 6 to 12 months and a house; and other facilities.[3] A five-year plan has now been prepared, on the basis of experience from 1951 to 1953, to speed up the transfer of population during 1955-59; more than half the area settled will be in Sumatra, and almost 16 per cent in Maluku Island.

A number of plans for *industrial development* had been formulated before the transfer of sovereignty in December 1949. Soon after the transfer, the Department of Industry gave top priority to preparing an industrialization plan on the basis of earlier material available,[4] and published in March 1951 a two-year programme entitled: "Urgency Industrialization Plan." This Plan budgeted Rp 185 million and $135 million of foreign exchange for 1951 and Rp 121 million and $10 million for 1952. It also indicated that for subsequent years Rp 576 million and $45 million should be provided. The plan aimed at the improvement and expansion of facilities for industrial research; the extension of loans and credits to cottage- and small-scale industries with a view to their mechanization; establishment of twenty-three "Central Production Plants"; and setting up through government-sponsorship of large industrial plants in vital sectors of the economy.

The Two-Year Urgency Plan (1951-52) was only partially carried. The implementation of the loan-mechanization plan for cottage- and small-scale industries has been delayed and machines ordered for them are arriving in stages only now. The short term projects for large scale industries were for the greater part not yet completed by the middle of 1954 and work has not started on a number of projects. The progress made on long term projects was even less. With regard to the central production and processing units, the 1951 programme covering 8 "induks" (central units) was completed while the 10 projects of 1952 programme are still in the initial stages of implementation.

After 1952, the Ministry of Economic Affairs continued the Urgency Plan, which, in the absence of any long-term plan, still remains in force. However, it placed industries under four newly defined groups: (1) important industries to be financed and operated only by the government; (2) traditional handicrafts under Indonesians, such as batik, gold and silver forging and working, tin-smithing, tanning, book printing and binding, cigars, and oil processing and other small-scale industries, to be reserved for Indonesian nationals; (3) basic industries to be open to foreign participation but with Indonesian majority control; (4) all other industries to be open to participation of full control by foreign interests.

During 1953 and 1954 plans were prepared to conserve foreign exchange and provide local employment selecting only those industries which (*a*) require availability of local raw materials only, (*b*) do not require extensive research or laboratory investigation, (*c*) are simple in management and operation and (*d*) will produce consumer goods in common use.

Since 1954 the Department of Industry has been giving more attention to the establishment of medium and large-scale industries. In this connection and in accordance with the intention of the government to plan for a five-year period, planning in some specific branches of the industry was made by the United Nations experts attached to the Ministry of Economic Affairs.

It is the intention of the government to stimulate and regulate the industrial development in the right direction by enacting laws and regulations. Additional measures taken in this direction were among others: (1) assistance given by the institutes, (2) procurement of capital goods, (3) training of managerial personnel and skilled labour, and (4) discontinuation of import products. The private sector experienced the same difficulties as encountered in the government sector.

1. Figures in dollars are based on the official rate of exchange, i.e. $1= Rp 11.4 in 1951. Free market rate is three to four times as high at the time of writing.
2. The Five-Year Plans referred to in this chapter cover in all cases the period 1955-59.
3. *Indonesia*, 8 February 1954 (Indonesian Legation, Bangkok). The cost of transmigration from Java to Sumatra is roughly worked out at Rp 7,500 for a family of 5 people and covers cost of transportation, food, agricultural implements, housing, land clearing, etc.
4. Including an Industrial Plan of 1948 and the Kasimo Plan, based on a 1946 policy directive.

For *transport* rehabilitation, 298 railway carriages and 27 diesel locomotives were ordered in 1953, and of these 40 carriages and some locomotives had already arrived by September 1954 and the rest were expected by the end of the year. The Indonesian Government and the Royal Dutch Airlines (KLM) concluded, in place of the existing 26-year contract, a new six-year contract, effective from 30 April 1954, providing for the complete withdrawal of KLM from the ownership and for technical assistance of some KLM officials on behalf of management of the government-owned Garuda-Indonesia Airways. The entire KLM-held stock is to be taken over by the Indonesian Government for appropriate compensation.[1]

For the training of *technical and managerial skills*, some 200 technical schools are maintained by the Ministry of Education; 30 vocational training centres by the Ministry of Labour; and a number of industrial institutes for higher level training by the Industry Department of the Ministry of Economic Affairs. Almost all government departments and most of the larger companies operate separate training schemes for their personnel. College and university training is provided in the fields of medicine, law, economics, business, agriculture and science. The Ministry of Education has also sponsored 212 fellowship awards, of which 114 were from the United Nations technical assistance programme. Expansion of the training facilities, including an institute for public administration, is being planned.

Capital formation and development financing

In an economy where estimated *per capita* national income (at constant prices) as compared to pre-war levels has declined by about 12 per cent,[2] it is but natural that savings have also fallen off. In recent years, although gross capital formation has been estimated at about 5 per cent of total national income, there is practically no net capital formation. To finance the development plans, higher capital formation from domestic and/or foreign sources will be necessary.

The Bank Industri Negara, a state bank established in 1951, has played an important role in industrial financing, with funds from the following sources: (*a*) Rp 240 million paid-up capital (at the end of 9153), (*b*) government deposits (Rp 186 million at the end of 1953) and (*c*) bonds (primarily for housing) floated by the bank (Rp 50 million in April 1954, and another Rp 50 million floated at the end of 1954).[3] It granted credits, ranging from 3 to 10 years, of Rp 140 million in 1952 and Rp 240 million in 1953, and plans to grant credits of Rp 260 million in 1954 (of which Rp 126 million are for private enterprises). The outstanding credits at the end of 1953 amounted to Rp 351 million[4] as compared to Rp 250 million at the end of 1952. In addition during 1953 the bank directly participated in industries to the extent of Rp 85 million.

The total government expenditure on development for 1954 is expected to be Rp 1,300 million. A 12,000 million franc credit from France[5] and possibly other foreign loans will be available.[6]

Although the foreign investment policy is yet to be adopted by the Parliament, the Finance Minister issued in February 1954 a foreign investment policy statement emphasizing the foreign investors' need for internal security and freedom to transfer a reasonable part of their income and profits and laying down a tax policy designed to stimulate development. Foreign investment is acceptable only in industry not in trade,[7] banking or transport. Immediate reactions to the policy statement were not very encouraging, but since then, several French, German and Japanese firms have submitted investment proposals and the oil companies have increased their investments, e.g. the Standard Vacuum Oil Company plans to invest $80 million during 1955-57. Small investments totalling $3.5 million also came from Hong Kong Chinese. A special committee has drafted detailed legislation for a comprehensive foreign investment policy along these lines, and its proposals are now before Parliament.

Indonesia is a member of the Colombo Plan Consultative Committee, the International Bank for Reconstruction and Development and the International Monetary Fund. This should increase the inflow of foreign aid and foreign capital.

The Industrial Development Corporation formed by the Indonesian Chamber of Commerce and Industry in April 1954 is to help in establishing several industries conforming to government requirements, by acting as intermediary between the businessmen and the government, or between different industries, in arranging power supply, allocating foreign exchange and securing government orders for domestic industries; it is also to act as an intermediary between Indonesian businessmen and foreign businessmen, international organizations and trade institutions. The corporation is to take part in establishing factories where no initiative is being shown by others. It enjoys the close co-operation and support of various government authorities and credit institutions such as the National Planning Bureau, the Department of Industry and the Bank Industri Negara.

1. The management will be handed over to a government-appointed board. KLM will continue to give technical assistance until 1960.
2. Mr. S. Daniel Neumark, (National Income Adviser to the National Planning Bureau) "The National Income of Indonesia, 1951-1952", in *Economics and Finance in Indonesia*, June, 1954.
3. The success of both bond floatations was largely due to the government's new regulation permitting foreign holders of Indonesian bonds to sell them in foreign capital markets. Foreign investors with funds blocked in Indonesia have thus bought the bonds as a means of transferring money out of the country.
4. Amongst the industries which received credits, sugar took about 50 per cent. Others included: ship-building (Rp 7 million, ultimately to be raised to Rp 25 million), iron and steel (Rp 10 million), paint industries (Rp 2 million), rubber milling, glass factories, etc.
5. The "Industrial Development Agreement by the Republics of Fraance and Indonesia" effective from 22 June 1954 for a period of one year provides financial credits to the extent of 12,000 million francs for the manufacture and delivery of capital goods ordered in France, repayment can be extended to a maximum of 7 years from the date of the order according to the nature of capital goods contracted. Further, the French Government has agreed to use its good offices so that French manufacturers will provide free-of-charge qualified technicians for a reasonable period of time to start plants on the one hand and to train technicians and managing staff on the other, for projects like thermal and hydro-electric plants, railways equipment, diesel and electric locomotives, mining industry equipment, chemicals, etc. to implement the agrement. A joint committee has been envisaged which will examine and solve the problems of implementing the agrement with the advice of experts.
6. Loans and grants from abroad were expected to amount to Rp 454 million in 1954, including a loan of $2.9 million from the United States Export-Import Bank and grants from the United States Foreign Operations Administration of $7.1 million ending in June 1954. But it is estimated that no more than Rp 200 million was actually received.
7. As of 1954 only 11 per cent of the Indonesian imports may be handled by foreign trading companies, another 15 per cent by non-Indonesian residents, and the rest by Indonesian trading firms. This led to some Indonesian merchants taking out ficitious licences which they later transferred secretly to non-Indonesians at a high premium. The Indonesian ferred secretly to non-Indonesians at a high premium. However, special steps have been taken to stop this practice. The Indonesian Minister of Economic Affairs is reported to have said at the beginning of October that all foreign trading enterprises in Indonesia will be converted into Indonesian- owned enterprises.

AGRICULTURAL AND MINERAL PRODUCTION

Rice production in 1954 was 435,000 tons more than in 1953 because of the greater area sown and the increased productivity resulting from the prolonged rainy season. The rise in rice output was attributed, *inter alia*, to a marked decrease (due to falling prices) in the output of rubber and copra and a switch of labour to rice cultivation; and also to planting of new land in North Sumatra and Celebes. It was also due to government measures which were mainly directed towards intensive cultivation.[1] The plans to extend the acreage of cultivation were, however, slowed down by shortages of finance and "know how". Yet rice production continued improving and consequently the volume of rice imports was reduced to 291,000 tons in 1953 as compared with 649,000 tons in 1952. The stocks of rice with the Food Fund increased to 428,000 tons in 1953 as against 72,000 tons in 1951, thus making it possible to stabilize the rice price at a lower level.

Amongst the export crops, the 1952 world recessionary trend continued during 1953 for *rubber*. In 1954, this trend was arrested as the result of a rise in world consumption of natural rubber (following the decline in the rubber price, which led the United States to reduce its synthetic rubber production). Output was stimulated by the government's export inducement policy of 12 October 1953 and the rehabilitation of estates. These favourable developments should not, however, minimize the urgent need for replanting the aged trees which has been hindered by the misgivings of foreign estate producers as to their future. The monthly average of rubber exports fell from 58,496 tons in 1953 to 57,680 tons during the first half of 1954, and the monthly value of rubber exports for the first half of 1954 fell by 23 per cent to Rp 197 million from Rp 257 million in 1953. In the third quarter of 1954 trade agreements (including those concluded with mainland China and Poland) and the incentive of greater freedom of transfer of capital given to foreign-owned estates helped to reverse the downward trend. The government felt that industrial processing at home would solve the problem of quality. To achieve this, the export of slabs of 3 cm and above was prohibited and consequently rubber remilling factories began functioning even for small holders in Sumatoran Selantan, Tengha, Kalimantan Selatan and Burat.

The pressure of world demand on a limited supply of coconut and palm oil provided an incentive for an increase in *copra* production; and the rapid expansion of co-operative societies and the efforts of the Copra Fund helped to promote sales and exports. The monthly volume of copra exports increased to 15,800 tons in the second quarter of 1954, as against 13,900 tons in the first quarter. The increase in domestic industrial processing has increased the ratio of domestic consumption of copra in the form of coconut oil and soap, important consumption items of the local population. Yet notwithstanding this increase production has expanded so much that copra has become an important foreign exchange earner for Indonesia during the fifties. The Copra Fund which handles domestic purchase and expoprts of copra has fixed the 1959 production target at 920,000 tons.

Tea production and export increased in 1954, as a result of an increase in the estate acreage and successful reduction of blister blight; a decrease in the Indian tea-crop by 9,800 tons during 1953, together with an intensive sales effort and the de-rationing of tea in the United Kingdom, helped to raise the demand and the price for Indonesia's tea. Output during 1954 is estimated at 45,000 tons as against 37,000 tons in 1953, raising Indonesia's share of world production from 5.5 per cent to over 7 per cent. The monthly volume of tea exports for the first half of 1954 amounted to 3,200 tons, 33 per cent more than in 1953, and with rising prices the monthly value of exports increased much more i.e. by 50 per cent from Rp 22 million in 1953 to Rp 34 million in 1954.

The production and export of *coffee* were even more favourable in 1954 because the world price of coffee was about 60 per cent higher than in 1952/53. The production advanced to 61,700 tons from 46,000 tons, the price rose to 90 cents from 58 cents per lb; exports rose to 32,200 tons from 18,400 tons.

Favourable weather conditions for *sugar* increased the yield per hectare and total output increased in 1953 notwithstanding a reduction of the planted area and losses due to wilful destruction, theft and cane fires. In 1954 planting proceeded as planned with an increase of 7 per cent over 1953 in the planted area and an estimated increase of 16 per cent in the crop. The domestic consumption of sugar has also risen. The monthly exports for the first half of 1954 fell 30 per cent from 7,800 tons in 1953 to 5,550 tons, but this fall was offset by a rise in prices so that total export value did not fall. In 1954 sugar exports are not expected to be as high as they were during 1953. However, to encourage sugar exports and to neutralize the obstacle of high cost, the suspension of export duty on sugar was continued during 1954 in addition to reduction of the premium charge[2] from Rp 15 to Rp 5 per quintal for the 1953 crop. The exclusive reservation to Indonesian merchants of the export trade in sugar to Asian countries gave them a permanent footing in the sugar trade, because sugar exports from Indonesia were mainly shipped to those countries. Indonesia is not, however, a signatory of the International Sugar Agreement.

Monthly production of *tin-in-concentrates*, having fallen sharply in early 1953, recovered later in the year, but declined again in the first quarter of 1954, though to a level still about 8 per cent higher than in the corresponding period a year before. It has risen considerably since. The United States purchase of nearly two-thirds of Indonesia's tin output has prevented any ill effects of the 1953 world price slump on Indonesia. The recent signing of the International Tin Agreement has also created a favourable impression in the world market for tin. The monthly volume of exports in both the first and second quarters was lower than the 1953 average, while the value was about 35 per cent lower.[3]

An increase of 250 per cent in the value of *petroleum* exports and of 20 per cent in crude oil production from 1952 to 1953, and a 10 per cent increase in the value of exports of petroleum products, raised the total value of exports of this group which had been Rp 560 million in 1950 to Rp 2,300 million in 1954. Witn increased imports of crude

1. The Service for Indigenous Agriculture has been working since 1953 on seed improvements, fertilization and protection from disease and has started 8 new seed farms; it has encouraged the use of tractors and tried to check soil erosion.

2. This charge refers to a tax levied on sugar producers for the purpose of creating an insurance against damage. The tax collected is credited to a fund called Sugar Cane Damage Fund.

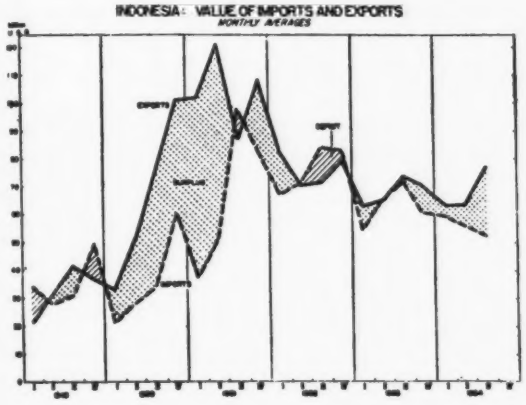
3. The export value fell from a monthly average of Rp 77 million in 1953 to Rp 50 million in the first half of 1954.

oil for refining from North Borneo, the refining of imported crude oil in Indonesia rose to 2.3 million tons in 1953 from 1.9 million in 1952.[1]

For the first half of 1954, the monthly crude oil production was 850,000 tons as compared to 852,000 tons during the corresponding period of 1953. The monthly volume of petroleum exports for the first half of 1954 was 740,000 tons as against 800,000 tons during 1953, but due to exports of refined petroleum the monthly value of exports was higher, being Rp 199 million as compared to Rp 191 million in 1953.

Plans have been drawn up to develop production of *aluminium* at Palembang in Sumatra from the deposits of bauxite in Butan Islands (estimated at 18 million tons).

Chart 32



TRADE AND PAYMENTS

Indonesia's terms of trade were slightly more unfavourable in 1954 than in 1953. The monthly volume of exports of rubber, tin, petrol, sugar and palm was lower for the first half of 1954, while that of tea and copra was higher than in the first half of 1953. Between the first half-years of 1953 and 1954 the value of exports remained unchanged, but there was a marked increase after June 1954. The volume and value of exports of major commodities for 1954 can be divided into three groups: first, tea and copra for which both volume and value of exports increased because of a rise in world price and demand; next petrol and petroleum products for which the volume of exports fell but prices rose more, so that the total export value increased slightly; finally for rubber and tin both the volume and the value of exports fell. The improvement since the middle of 1954 in the prices of rubber and tin has raised their export value and brought a rise in the monthly value of total exports from July onward.

The major factors tending to increase Indonesia's exports were the improved productivity resulting from better labour relations, and the introduction of an export inducement system[2] which helped to increase export proceeds in local currency.

While the value of imports in the first half of 1954—exclusive of petroleum—more or less equalled the value in the corresponding period of 1953, the third quarter of 1954 saw a decline in the value of imports as a result of the restriction since May last in the issue of foreign exchange licences. The fall in prices as compared with last year added to the decline in the value of imports. The shift from consumer goods imports to imports of raw and auxiliary goods which began in 1953 continued throughout the first three quarters of 1954. The import surcharge system introduced in August 1952 is still in operation.[3]

The changes in the volume and value of imports and exports resulted in an increase in trade surplus; *e.g.* the monthly average trade surplus rose to Rp 267 million in July and Rp 284 million in August 1954, as against Rp 64 million in 1953 and Rp 70 million in the first half of 1954. This contrasts with a monthly deficit of Rp 7 million in 1952.

While there is a surplus in the balance of trade, the balance of payments was in deficit up till the middle of 1954. A surplus trade balance is often converted into a deficit balance of payments by invisible imports including foreign investment incomes, insurance and salaries of foreign workers which amount to about 75 per cent of total invisible imports. The foreign exchange reserves which were accumulated during the Korean-war boom of primary commodity prices dwindled during 1952 and 1953 and the first half of 1954. In the first half of 1954, the unfavourable balance of trade with Japan amounted to Rp 695 million and that with the United States showed a favourable balance of Rp 86 million. *Foreign exchange holdings* fell by Rp 2,509 million and Rp 1,386 million during 1952 and 1953 respectively, reducing the total holdings at the end of 1953 to Rp 2,231 million as against Rp 6,126 million at the end of 1951 and Rp 3,617 million at the end of 1952. In one way the 1953 position was better because the government foreign debts were reduced by Rp 82 million whereas during 1952 government debt increased by Rp 897 million. To correct the critical situation in invisible payments during 1953 and the first half of 1954, a number of measures were announced, whereby the balance of payments position during the third quarter of 1954 recorded a marked improvement, arresting the downward trend and bringing about an increase in foreign exchange holdings from Rp 960 million at the end of June 1954 to Rp 2,446 million at the end of September 1954.

1. The imports of crude oil were mainly meant to offset the disequilibrium between production of crude oil and excess refining capacity of Batafsche Petroleum Mattaschappij in Indonesia which resulted from the suspension of production in the oil-fields at Sumatora Utara (Atjah) and Djawa Tengah. In April 1954 these fields were provisionally taken over by the Ministry of Economic Affairs.

2. Exporters of a few products receive, in addition to payments in local currency at the official rate of exchange, an inducement certificate (denominated in rupiah) in the amount of 5-10 per cent of the rupiah value of their exports. Such certificates are required in order to obtain exchange for the import of some luxury goods and are either so utilized by the exporters or sold to other importers. The price of these certificates has risen to Rp 1.11 for every Rp 1 certificate.

3. The surcharge system was introduced in August 1952 when import commodities were divided into four groups according to their essentiality, namely; A, B, C anl D. On A, no surcharge was levied; on B, 100 per cent surcharge was levied and on C, 200 per cent. Category D was not to be provided with foreign exchange. In addition, "down-payments" of 40 per cent were required on application for exchange for B and C imports. In February 1953, a new list was made, in which most imports had to pay a surcharge of 33 per cent and the down-payment required was raised to 75 per cent. All items in category D were transferred to category C. As a result, Rp 440 million were withdrawn from circulation on account of down-payments during 1953. In October 1953 down-payments for capital goods and raw materials were reduced to 50 per cent to encourage industrial development. Effective from 12 July 1954 the obligatory down-payment has been increased from 50 to 75 per cent for goods essential to Indonesian industries and from 75 to 100 per cent for all other imports.

PUBLIC FINANCE, MONEY AND PRICES

Public finance

The budgetary position in Indonesia changed from surplus to deficit after 1951. The 1954 provisional budget estimates (which have not yet been passed by the Parliament) show a revenue of Rp 10,971 million and an expenditure of Rp 13,512 million, with a deficit of Rp 2,541 million. As compared to 1953, the revenue and expenditure budgeted for 1954 are lower by about 12 per cent. The 1954 decline in government revenue can be attributed to a decline in receipts from export[1] and import duties and in tax on income and wealth. Defence expenditure fell proportionately as the total expenditure, remaining at about 22 per cent of the latter.

To improve revenue, a number of regulations have been introduced. Important amongst them is the company tax which ranges from 40 per cent to 52.5 per cent, on taxable profits ranging from Rp 500,000 to Rp 2.5 million and over, but imposes lower rates, from 25 to 40 per cent, upon business houses opened after 1949. Further, with effect from 1 January 1954, the excise duties on beer and spirits have been raised from Rp 30 and Rp 400 per hectolitre to Rp 82.50 and Rp 750 respectively. A fiscal regulation incorporated in the Revalorisation Decree on Company Tax 1953 provided for increasing the value of company assets in view of inflation and devaluation.

The budget deficit amounted to Rp 3,087 million in 1953 and was covered by loans from the Bank of Indonesia (which issues notes), profit on gold,[2] and down-payments from buyers of foreign exchange. In 1954 total government loans from the Bank of Indonesia increased by Rp 3,200 million to Rp 4,600 million from Rp 1,400 million by the end of 1953 (the increase during 1953 over 1952 being only Rp 717 million).

Monetary situation

The financial institutions in Indonesia include several State banks, namely the Bank of Indonesia (established on 1 July 1953 to replace the Java Bank and carry out the central banking functions of issuing notes and acting as a government banker), the Bank Industri Negara, the Bank Negara Indonesia, Bank Rakjat Indonesia, desa banks (rural banks), together with seven foreign private banks, a number of national private banks, pawnshops, savings banks, the Jajasan Kredit and the Djakarta Stock Exchange.[3] Since the formation of the Bank of Indonesia and other State banks, the money market has become relatively better organized.

The monetary situation of Indonesia is affected by the budget and the payments position. Under normal conditions, in view of the great dependence of the Indonesian economy and the government budget on foreign trade, especially exports, the balance of payments would play a very important role. In 1953 and 1954, however, the government budget played a much more active role, on account of a high level of defence expenditure which led to huge borrowings from the Bank of Indonesia, thus increasing the money supply and inflationary pressures. The increase in food production has not been able to arrest the strong inflationary pressures, in the face of shortage of consumer goods imports.

Money supply increased from Rp 5,132 million in 1951 and Rp 7,642 million in 1953 and Rp 9,666 million on 29 September 1954—an increase of about 90 per cent over 1951 and 26 per cent over 1953. The increase was mainly due to the increasing note circulation of the Bank Indonesia. The increase in note circulation, however, was accompanied by a decline in gold and foreign exchange reserves. The monetary

1. Only copra, coffee and pepper are subject to export duty (but at lower levels) out of seven commodities on which additional tax levy was imposed in 1952; rubber was released on 1 January 1954. Also, from the general export duty of 8 per cent exemptions were granted which contributed towards a substantial falling off in revenue on export duty.

2. In May 1953 gold holdings were revalued at 12,796.05 rupiah per kg. fine or 11.37 rupiah per U.S. dollar.

3. A consolidated balance sheet is published for three State banks and seven private banks, which form a major sector of the money market.

TABLE 46

INDONESIA: INFLATIONARY INDICATORS

	1950	1951	1952	1953	1954		
					I	II	Sept
Balance of payments	..	+627	−2,947	−1,516	..	..	..
Budget surplus or deficit[a] (Total current transactions)	..	900	−4,300	−3,087	−3,150[b]	..	..
Domestic loans and advances[c]							
Bank Indonesia	..	2,870	5,759	5,833	6,806	7,910	8,655
Other banks	..	1,717	1,729	1,867	1,981	2,004	1,977
Money supply[c]	..	5,132	6,719	7,642	8,014	8,814	9,666
Notes	..	3,328	4,349	5,218	5,335	6,115	6,570
Deposit money	..	1,804	2,370	2,424	2,679	2,698	3,095
Retail price of food in Djakarta (1948=100)	113	189	199	211	221	220	224
Foreign exchange holdings[c]	..	6,126	3,617	2,231	—	960	2,446
Advance to government[c]	..	1,317	4,555	5,272	6,126	7,249	8,013
Government bond yield[c] (% per annum)	3.50	4.28	4.10	3.40	3.27	3.16	..

Sources: Government of Indonesia; IMF, *International Financial Statistics*
Bank Indonesia, *Report for the year 1953/54.*

a. Revenue includes loan proceeds.
b. Whole year's estimates.
c. End of period.

cover (in gold and foreign exchange reserves) for note and demand liabilities declined from 80 per cent at the end of 1952 to 40 per cent at the end of 1953, 24 per cent at the end of January 1954, and 19.9 per cent in July 1954; it rose to over 20 per cent in the next week and has since been maintained above 20 per cent.[1] As the normal statutory minimum of gold and foreign exchange reserves was 20 per cent, resort to an escape clause providing for a further reduction of the minimum reserve to 15 per cent was taken on 17 June 1954. The cover percentage was restored to 20 per cent at the end of September 1954 when foreign exchange holdings had increased from Rp 960 million at the end of June 1954 to Rp 2,446 million,[2] because of better exports during the third quarter.

The government borrowing amounted to Rp 8,013 million on 29 September 1954 and generated strong inflationary pressures. An additional, though limited, factor was the increase by Rp 110 million from the end of 1953 to the end of September 1954 in domestic private credits granted by other banks.

Prices

The general price level and the cost of living rose in the first nine months of 1954 as compared to 1953. Retail prices of foodstuffs in the countryside showed only the normal seasonal movements, probably due to the increased production of foodstuffs particularly of rice, but rose slightly in urban areas. In 1953, the cost of living for those families using mostly home-produced goods changed but little, while that for those using imported goods rose to an appreciably greater extent. In the first 9 months of 1954, however, the cost of living index for both categories of families registered an equally appreciable rise of about 9 per cent.

Wholesale prices of imports showed a continuous upward trend in the first 9 months of 1954, with the exception of textile prices which fell temporarily below the 1953 average. Export prices, especially for estate produce, improved considerably in the later months of 1954.

Prominent among the contributory causes of the rise in the general level of prices and the cost of living in 1954 were wage increases not accompanied by an increase in productivity, particularly in estate agriculture and some other larger industries where powerful trade unions successfully pressed for wage increases, and the shortage of consumer goods imports arising from the tightening of import restrictions.

The inflationary pressure generated by the budget deficit and increased monetary circulation was offset to some extent by the increased food production and partly by the increased balance of payments deficit.

CONCLUSION

For Indonesia 1954 marked another year of governmental efforts at readjusting the economy to the worsened terms of trade, while at the same time continuing its developmental efforts at diversifying the economy. However, these efforts had not met with complete success, but had been rendered more difficult by the exhaustion of anti-inflationary effects from monetary measures so far instituted and administered.

Food production, which showed a significant increase in 1954, served as a stabilizing influence on the general price level in the face of shortages in imported consumer goods. With the continuing decline in rubber prices Indonesia's terms of trade were, on the whole, less favourable than in the preceding year. The surplus in the balance of trade was more than offset by a deficit in the invisibles account, thus continuing the trend of decline in foreign exchange reserves. This trend was, however, reversed in the middle of the year by increased value of exports from better rubber and tin prices and a reduced value of imports as a result of tightened restrictive measures and a lower level of import prices.

A large budget deficit, caused by a high level of defence expenditures, was financed mainly by borrowings from the central bank. This led to a large increase in money supply and generated strong inflationary pressures. Wage increases in industries (where labour was strongly organised), not founded on real increases in productivity, had also contributed towards the inflationary tendency. But for the increased production of food and the considerable deficit in external payments, the rise in the domestic prices and cost of living would have been sharper.

Increased production and higher export prices, supported by an improved budgetary position, would help to stabilize Indonesia's economy in the short run. In the long run, diversification of the economy and transfer of population from the densely to the sparsely populated areas of the country appear to be essential.

1. IMF, *International Finance News Survey*, No. 36, 1954.
2. Bank Indonesia balance sheet, 29 September 1954.

Chapter 14. JAPAN

One of the most important features of the economy of Japan is dense population for the available resources of land and minerals. Population pressure has been aggravated since the war by the repatriation, both of armed forces and of overseas Japanese, form the former Japanese possessions. The rate of natural increase, though lower than in many other parts of Asia, is also fairly high. It is serious because the resources for expansion of the economy are limited.

Low pre-war living standards provided a cheap reserve of labour and kept the level of real wages in industry lower than in most other developed countries. The land reform introduced during the occupation resulted in a much larger proportion of the proceeds of the land going to those who farmed it and a smaller proportion going in rent. The consequent higher standards of living in rural areas, together with the strengthening of trade unions under the occupation, has increased the bargaining power of labour and resulted in labour's securing at least for the time being the greater part of any gains arising from increased productivity.

There are great differences in earnings between the large industries where the labour movement is generally fairly well-organized and the smaller industries. This great disparity[1] may have strengthened many smaller and relatively inefficient industries which might otherwise have been eliminated by competition.

Unlike most countries in Asia, Japan does not suffer from any serious shortage of skills. Education, both general and technical, is abundant and has actually been extended since the war.[2] Almost the only sphere in which some shortage of technical education is reported is in the heavy industries and at the managerial level.

Japan, with about half the labour force employed in non-agricultural pursuits, is much more industrialized than any other country of the ECAFE region. It has developed its industries with marked orientation towards foreign trade. A substantial portion of the raw materials for modern industries had to be imported, and many of the industries depended on overseas market.[3] After the war, the extent of dependence on foreign trade has been slightly decreased. However, many of Japan's imports today are not easily replaceable by domestic supplies: at least 20 per cent of food grains requirements and 40 per cent of raw materials needed for industries as a whole[4] are estimated to be the irreducible minimum that has to come from abroad. Any further expansion of its economy, either through the increase in population or through a rise in *per capita* industrial activities, would, more likely than not, increase Japan's dependence on foreign foodgrains and raw materials. From the long-range point of view, it is essential, therefore, that Japan's external current accounts be balanced through normal transactions of goods and services. At least until the end of 1953 such a balance was far from being achieved and the deficits were largely offset by special procurements and United States aid. It may be noted that in 1953 normal current receipts on goods and services occupied only 78 per cent of corresponding payments. In so far as Japan's imports are more or less inflexible, this gap points up roughly the magnitude of the problem it faces in attaining the economic viability through normal trade.

The war damaged the economy a great deal. Some of the capital resources that could have assisted the reconstruction of Japanese industry have been eliminated by the dissolution of big industrial enterprises during the occupation while many pre-war sources of supply and markets both in the former Japanese Empire and in China have been lost; in the process, Japan's trade with South and South-East Asia has increased in importance, but the slow post-war rate of recovery of this region as well as other factors have prevented a large expansion.

The low level of incomes generally prevailing in Japan did not prevent a high rate of capital formation before the war. This was partly financed by inflationary methods, the weak bargaining power of labour preventing any serious cumulative rise of wages and prices. The main source was the large savings arising from the concentration of wealth and the ploughing back of the profits of big industrial enterprises. Since the war the rate of net capital formation, including additions to stocks, has averaged about 20 per cent of national income, a rate that ranks high even among highly industrialized countries. The proportion of the capital formation contributed by the public sector rose from 17 per cent in 1934-36 to more than 25 per cent in 1951-53. Private savings which accounted for 62 per cent of total savings before the war declined sharply immediately after the war, but recovered to 50 per cent in 1951. Both capital consumption allowance and undistributed corporate profits also declined sharply. As a result, loans from financial institutions including government banks have accounted for almost two-thirds of the supply of industrial funds in the post-war period.

Aided by the high rate of capital formation, Japanese economy has made a remarkable recovery from war devastation, and by the end of 1953, for the first time, pre-war *per capita* standards of consumption were restored in urban as well as rural households. Pre-war standards of labour productivity and real wages have also been regained.

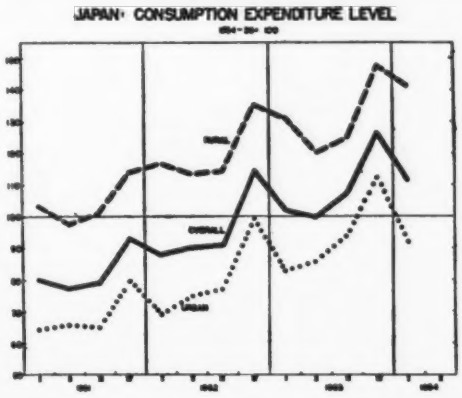
1. According to a specially detailed survey conducted in April 1954, wages in small concerns (employing 10-29 workers) were generally 40 to 70 per cent of those in the largest group (employing 1,000 or more) for comparable types of employment with similar years of experience.

2. The abundance of education makes for a very low salary premium for any kind of skill so that the margin above the rather low basic standards of living is less in the Japanese middle class than in the middle classes of most other countries in Asia.

3. However, the heavy industries were mainly concentrated on production for the local market and for armaments before the war.

4. The Economic Counsel Board has estimated for 1952 that the degree of dependence on imports was 22 per cent for food grains, 43 per cent for industrial raw materials, and 12 per cent for articles of personal consumption.

Chart 33



The Government of Japan does not favour detailed planning of the economy. The Economic Counsel Board seeks to predict the different magnitudes within the economy and, it may be presumed, draws the attention of the Government to any unsatisfactory tendencies. For guiding economic development, the Government relies on indirect methods, including use of the banking system, allocation of foreign exchange, and loans at special rates. However, a six-year plan for over-all economic development was drafted by the Economic Counsel Board under the new Cabinet in December 1954.

The mechanism of financial control is on the whole fairly effective. The Bank of Japan exercises a substantial control over the commercial banks through detailed supervision of their loan requirements. Recently there has been some difficulty in reducing the budgets of local authorities and attempts have been made to strengthen central government control over their finances by adjusting the system of grants.

LONG-RUN POLICIES AND PLANS

Apart from the six-year plan mentioned above, a considerable number of programmes have been developed by different ministries and authorities. The central theme which runs through them appears to be the attainment of economic viability through normal trade. The erasing of the deficit on current transactions, which was as high as $1,000 million in 1953 but was reduced to $496 million in 1954, could be brought about through either (*a*) expansion of exports, (*b*) curtailment of import needs via development of substitutes at home, (c) reduction of the import contents of exports as a whole, or (*d*) stricter controls on importation of luxury and semi-luxury goods. These measures, except the last one, would involve varying degrees of long-range planning. The Government of Japan has embarked on a number of specific schemes in this direction. Related to the programme of export expansion are, for example, the modernization scheme of iron and steel industry, the subsidy programme for ship-building, and the plans of developing industrial fuel base, i.e. coal and electricity. Measures to curtail import needs are typified by a scheme to expand food grain production and a five-year plan for the expansion of the synthetic fibres industry.

The first programme for modernizing *iron and steel* making, inaugurated in 1951, is to be completed within 1954/55. It emphasized a stronger integrated system, blooming mills and the modernization of equipment for flat rolled products like strips, hoops, etc. Inflation has nearly offset the cost-reducing effects of modern equipment in terms of money; but the programme, on completion, is expected to raise productivity and lower costs per unit. The difficulty of securing needed funds seems likely to hinder the further modernization that has been discussed.

Under the annual *ship-building* programme since Japan was released in 1949 from the restriction on building ocean-going ships, 1.3 million gross tons had been built, up to 1954. It was then agreed that the scale of the current annual programme should be reduced, to build 19 cargo boats amounting to 154,000 gross tons. The greater part of the expenditures on ship-building has been met from government funds through the Japan Development Bank. Further, in 1953, the National Diet passed a law to subsidize the interest payments by ship-owners, on loans for ship-building from the city banks above a stated minimum rate of interest (5 per cent per annum), with a view to strengthening the ship-owners' competitive power.

For the *coal* mines, a five-year programme of opening vertical pits was adopted early in 1953, in order to cut down production cost which has risen as the natural condition of coal mines deteriorated. As the sluggishness of coal mining has become more serious plans are now being worked out to control the industry, restrict the opening of new pits and merge existing enterprises, etc.

In 1952 the *Electric Power* Resources Development Company was established with a capital of Y100,000 million, the greater part to be invested by the government. This company, with nine regional power companies, is playing a major role in the five-year power development programme started in 1953 with government funds. A $40 million loan from the International Bank for Reconstruction and Development was obtained to construct thermal power stations, and a plan to invite more foreign investment is being considered. The five-year plan was revised towards the end of 1954 and it now envisages the increase of generating capacity by 4.6 million kW in five years ending March 1959.

The value of *food* imports has been increasing and it is estimated that the annual increase in demand for food grains is 200,000 tons, owing to the increase in the population alone. A substantial amount of government funds was spent on increasing food production between 1946 and 1952. In 1953 the first five-year plan was initiated by the Ministry of Agriculture and Forestry to increase food production by means of subsidies and credit estimated to total Y420,000 million; for 1954/55 the programme provided for the realization of not more than one half of the target set for raising the production potential under the Plan. The over-all production increase, from increased acreage and improved land, techniques and varieties, is expected to be approximately 2.3 million tons (computed in brown rice) in the final year. However, owing to the pressure of population on food resources and the coincidental abandonment of cultivation in some areas, the net improvement in the supply-demand position is estimated to be very limited. More recently, the study of large-scale agricultural development projects such as the Aichi Canal Project, and land reclamation by drainage and development of the peat bog area, has started.

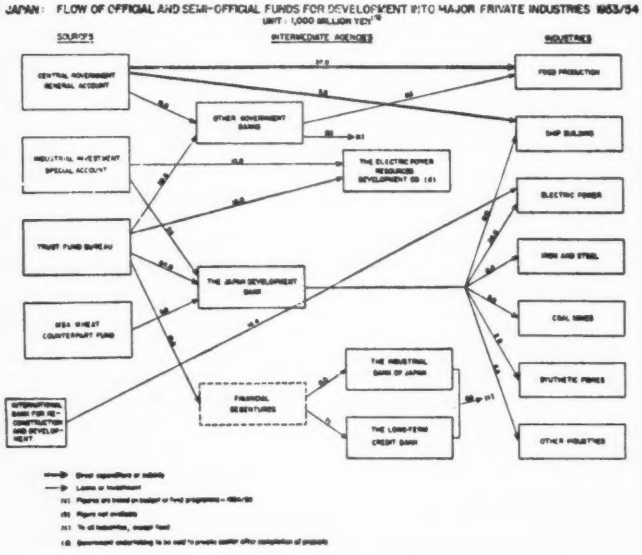
A five-year plan to increase the production of *synthetic fibres* was initiated in 1953 by the Ministry of International Trade and Industry. The actual output of three synthetic fibres (nylon, vinylon and polyvinyliden chloride) was about

3,600 tons in 1952/53 and the ultimate goal for a total combined output is about 45,000 tons. Some curtailment of import requirements for raw natural fibres is expected.[1]

Government funds for the development of the above industries, except those for the expansion of food production, flow mostly through the Japan Development Bank. Thus the loans outstanding of the banks as of the end of October 1954, classified by industries, give a broad picture of relative weights given to each industry. Of the total loans outstanding of Y342.500 million, nearly one half (Y159,800 million) was for the electric power industry, about 30 per cent (Y99,400 million) for ship-building. 10 per cent ($35,000 million) for coal mining, a little over 4 per cent (Y15,300 million) for iron and steel, and about 1 per cent (Y3,900 million) for synthetic fibres. These five industries accounted for more than 90 per cent of the total loans outstanding of the Japan Development Bank. In addition to this bank, the Electric Power Resources Development Company, which is financed largely by government funds, is engaged in the development of new electric power projects. The Japan Industrial Bank and the Long-term Credit Bank etc., which are supplied partly by the government with resources for investment, also play an important role in financing the development of major industries.

Chart 34

JAPAN: FLOW OF OFFICIAL AND SEMI-OFFICIAL FUNDS FOR DEVELOPMENT INTO MAJOR PRIVATE INDUSTRIES 1953/54



As to the commodity structure and geographical distribution of Japan's *foreign trade*, certain shifts of a long-run character are being contemplated. For example, emphasis is now being laid on the substitution of heavy-industry products for light consumer goods in Japan's exports. The weak competitive position of Japan's heavy industries is attributable to their producing mainly for armaments and the local market in pre-war days, to the high prices of their raw materials and to the delay in the post-war modernization and rationalization of facilities. The Heavy Machinery Export Association, with the aid of a government subsidy, has established several overseas consulting offices in South-East Asia and Latin America, to undertake market surveys and provide technical services[2] on the spot.

More recently the Ministry of International Trade and Industry has set, for 1957, an export target totalling $1,740 million in value (or $470 million more than in 1953); of this, $1,099 million is to come from thirty-two selected export industries classified into the following six groups: (1) Japanese specialities, such as pearls and certain flavourings; (2) non-durable consumption goods, such as textiles and china wares; (3) durable consumption goods, such as sewing machines and cameras; (4) standardized goods, such as ammonium sulphate and cement; (5) new materials, such as synthetic resins and titanium; and (6) industrial machines and ships. With the decline in special procurements following the armistice in Korea, attention is now being directed to the possibility of obtaining increased offshore purchase orders under the present United States aid programmes where commercial procurement is being employed.

In the allocation of Japan's import orders emphasis is laid on South-East Asia. Total imports into Japan are estimated at $2,000 million in 1957 ($410 million less than in 1953) but imports from South-East Asia are expected to increase, because it is considered specially necessary to transfer imports of raw cotton, crude sugar, iron ore, crude oil, etc., from dollar areas to South-East Asia, and to promote exports by bilateral negotiations. With some countries of South-East Asia, however, trade development has been hampered by outstanding reparations problem.[3]

Japan also plans to develop trade with mainland China during the next few years. At present trade with this area is hampered by the embargo on most of the exports which the Government of the People's Republic of China would be willing to take and Japan able to supply. Recently, as a result of the unofficial agreement reached at the end of 1953, trade has been expanding. In 1954 exports reached $17.6 million and imports $22.7 million, according to the foreign exchange statistics of the Bank of Japan. Comparative figures for 1953 were $3.1 million and $11.1 million respectively. This expansion was chiefly in textiles (mainly rayon yarn), chemicals (including fertilizers, dyestuffs and drugs) and machinery; coal, rice and soya beans were the principal increased imports. The present level of imports is still only about half that of 1950, but the long-range plan for 1957 envisages an expansion to about $70 million a year. This would still be far below mainland China's pre-war proportion of Japan's total import trade.[4]

Important psychological obstacles to Japan's trade still remain to be overcome, particularly in countries which were occupied by Japan during the war. The foreign exchange banks, merchant fleets and overseas branches of commercial firms, which formerly made a large contribution to the development of trade, were largely destroyed during and after the war. There has been considerable opposition to the re-establishment of such organizations, and their absence has

1. For cotton and wool textiles, virtually all the raw material must be imported, for rayon about one quarter (a Japanese factory to produce wood pulp for rayon is being established in Alaska in 1954); the newer fabrics have no petroleum base, and can be produced almost entirely from Japanese limestone and coal, though this will require more electric power.

2. Difficulties in servicing Japanese equipment in the South-East Asian region are a serious obstacle to Japanese capital exports.

3. With Burma, a reparations agreement was signed in November 1954 providing, in addition to reparation by goods and services, for economic co-operation amounting to $50 million through investments and loans.

4. Before the war, mainland China was an important source of raw materials for the Japanese heavy industry and an important market for Japanese consumption goods. It is unlikely that this position could be restored, since mainland China's pattern of trade has changed. There may still, however, be an important market for the products of Japanese heavy and chemical industries.

seriously impaired the necessary servicing facilities related to the export of capital goods. Sharp competition has also developed among many of the small trading firms, each with insufficient capital to give it stability. Steps are now being taken to facilitate the merger of trading firms, and taxation measures have been introduced to encourage the accumulation of capital. Under the 1954 Foreign Exchange Bank Law, a commercial bank has been reorganized into a foreign exchange bank to engage mainly in foreign trade financing.

Aside from the measures directly related to the question of attaining economic viability, special mention may be made of Japan's post-war efforts to cope with the *over-population*.[1] These have been directed mainly to reducing the birth rate.[2] In the Eugenic Law now in force provision is made for induced abortion on economic as well as medical grounds; and in 1953 induced abortions were equivalent to more than half of the live births. The fall in the birth rate (to two-thirds of the pre-war rate in 1953) and simultaneously in the death rate, is changing the age structure of the population; a more comprehensive population analysis has recently been started by both governmental and non-governmental institutions to deal with this and other aspects of population policy.

RECENT DEVELOPMENTS

The policy of deflation

The year 1954 is characterized as a year of deflation in Japan, although indicators do not uniformly support this description.

The advent of the so-called "deflation" policy towards the end of 1953 was occasioned by the rapid declining trend of foreign exchange holdings through the widning gap in the normal commodity trade. While the value of exports in 1953 at $1,275 million (according to Customs Office statistics) was almost the same as in the preceding year, imports were $2,410 million, or in value 19 per cent and in quantum 37 per cent more than in 1952. Thus even with the receipts from special procurement about equal to those in the preceding year,[3] the foreign exchange balance in 1953 registered, for the first time since the outbreak of the Korean war, a deficit amounting to $193 million. A bad rice crop due to typhoons and floods necessitated a greater volume of foodstuff imports; and higher domestic price levels in general and preferential treatment of import financing did stimulate speculative as well as ordinary imports. But the rapid expansion of personal incomes (and hence of consumption) because of increased private investment in durable equipment and government spending[4] was no less a factor in the general expansion of imports.

As the main cause of serious deterioration in the balance of payments was considered to lie in excessive imports, the government made it the immediate objective to cut the value of imports down to the combined probable values of exports and special procurements. For this purpose it was considered that curtailment of inflationary cost expansion was not enough and that high domestic purchasing power, which was both a stimulus to increased imports and a barrier to exports, should be curtailed. Since spending by the government and investment both stimulate domestic purchasing power, measures to reduce government exponditures and tighten credits were put into operation towards the end of 1953.

As this policy was implemented in the course of 1953-54, deflationary measures were carried out mainly in the monetary sphere and not so much on the fiscal side.

When the 1954/55 budget was drawn up the general account expenditure was placed at Y999,600 million, $27,700 million less than the 1953/54 budget figure,[5] but Y125,600 million larger than the 1952/53 accounts figure. No positive measures were taken to increase revenue,[6] but it was decided that the 1954/55 budget should be strictly balanced and that there should be no inflationary borrowing or releasing of funds accumulated in the past. One deflationary feature on the expenditure side was the sizable cut in government investment and loans, in general and other accounts, from Y338,900 million in 1953/54 to Y280,500 million. Appropriations for public works and measures to increase food production were also cut down by some Y12,600 million or 7 per cent. However, defence expenses, grants and transfer of revenues to local governments, pensions for ex-service men, social and labour expenses, personal expenses and other expenses with a leaning towards consumption increased. In particular, it is noteworthy that the standard pay scale of government officials was raised by about 10 per cent in January 1954. In June 1954, the government agreed on a working budget designed to achieve a total saving of Y35,800 million, which brought within its scope the special accounts and accounts for government affiliated agencies as well as a Y19,900 million saving in the general accounts. As a part of this Y19,900 million saving in the general account was spent afterwards, the net saving was reduced to Y15,347 million. A supplementary budget of Y30,825 million was passed in November 1954, out of which Y30,534 million was financed by saving and suspended disbursements. Accordingly, the net increase of the budget was no more than Y291 million and the total amount of the general account finally came to Y999,879 million, still 14 per cent higher than the 1952/53 account figure but 2.7 per cent lower than the 1953/54 figure.

In local finance, while the government succeeeded in checking the rate of increase slightly by instructions to adjust the administrative structure and control expenditure and by tighter control of local bond issues, budgeted expenditure was still some Y50,000 million greater in 1954/55 than in 1953/54; and hence the net total of the general accounts of both national and local budgets in 1954/55 was Y1,571,000 million, an actual increase over the Y1,527,300 million in 1953/54.

The economy measures of the 1954/55 budget can thus hardly be termed really deflationary. The balance of the government's cash transactions between April and September registered heavy net payments of Y27,800 million as against net receipts of Y52,300 million in the same period in 1953. This seems to have been due partly to a carry-over of payments appropriated in the 1953/54 budget but not paid.[7] The pay-

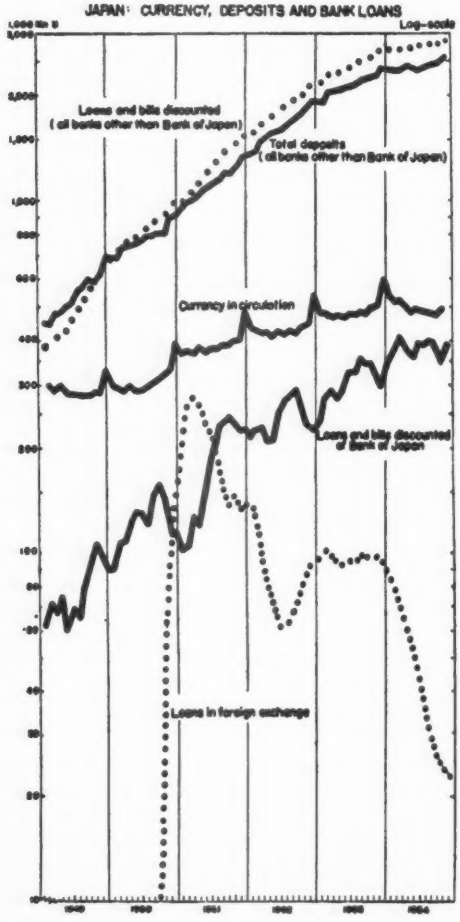
1. The loss of about 44 per cent of territory as tre result of the war, the repatriation of over six million civilians and ex-service-men from abroad, and the annual population increase of more than one million all contribute to the post-war problem of over-population in Japan.
2. Though emigration is subsidised by the government, the number of emigrants has been very small.
3. The receipts from special procurement amounted to $809 million in 1953, or 38.2 per cent of total foreign exchange receipts, as compared to $824 million in 1952.
4. It is estimated that private investments in durable equipment and government spending in 1953 were Y150,000 million and Y160,000 million more respectively than the year before. The national income for the year was 16 per cent higher than in 1952 and personal consumption rose by about 20 per cent, or 700,000 milion.
5. In 1953/54 the budget was abnormally increased by poor harvests and disasters.
6. An attempt to introduce at extile excise duty was defeated in the Diet.
7. Expenditures scheduled in the budget for 1953/54 but not realized were Y213,200 million at the end of March this year. Of this total, Y84,100 million were disbursed in April and May and the remaining Y120,800 million, excluding unused Y8,300 million, were carried forward to the fiscal year 1954.

ment of these sums early in 1954/55 increased the disbursements on public works, defence, pensions etc. It was also partly due to disbursement from the food control account, bigger than had been expected because of the abundant 1954 crops of wheat and barley, the high government purchase price fixed for wheat, and the high proportion of bonuses for early rice deliveries which resulted from the unusually early crop.

Such big payments from government funds affected the Japanese economy in two ways. The fiscal disbursement (*e.g.* pensions to ex-service men, purchase of wheat, higher salaries for government officials) directly increased consumers' income and so stimulated consumption demand. It also assisted the banks' liquidity and relaxed their attitude toward increased loans. In the latter half of 1954/55 substantial excess payments for government purchase of rice are foreseen, and thus the Economic Counsel Board expects, for the whole fiscal year, an excess payment of Y107,800 million.[1]

Chart 35

JAPAN: CURRENCY, DEPOSITS AND BANK LOANS



In contrast to the continued expansionary character of public finance, the monetary policy since the end of 1953 has been on the whole deflationary. This is in contrast to the situation in 1952/53 when the fiscal system was deflationary and the monetary policy inflationary. Systematic measures to tighten money, chiefly by changing the Bank of Japan's loan policy, were carried out in October 1953 and in January, March and October 1954. The bank's effective rates were raised by strengthening the progressive interest rates system under which money rates higher than the official rates are charged on Bank of Japan loans in excess of certain fixed limits, and the preferential arrangements for financing imports were curtailed.

First the progressive interest rates system was tightened. By revising the formula for computing the range of loans to which official rates could be applied the bank increased the range of loans at graduated rates. The graduated rates were raised to a level 0.73 percentage points higher than the rates charged by city banks in March 1954. As a result the effective (average) interest rates of the Bank of Japan rose from 6.4 per cent in September 1953 to 7.9 per cent in September 1954 and exceeded the cost of bank money (about 7.3 per cent).

The special foreign exchange loan for banks (established in September 1950, to cope with accumulations of foreign exchange holdings, especially of sterling) was applied to 17 items, in September 1953, and loans then outstanding were Y96,000 million. Seven items were removed from its scope in October 1953, and the loan system itself was completely abolished in March 1954, the outstanding loans by October 1954 falling to Y24,100 million.

Measures were also taken to reduce the privileges of import settlement bills and stamped bills covering funds for taking delivery of imported goods. First the privileges ceased to apply to non-essential goods. The applicable interest rates were raised, by about half a percentage point by the Bank of Japan in January 1954 and by city banks in October 1954, and a graduated rate was also applied to import settlement bills in October 1954. The term of these bills was also shortened to about one month. As a result, outstanding import settlement loans dropped sharply from Y114,800 million in October 1953 to Y56,700 million in October 1954. In the Foreign Exchange Budget the total allocation for import was reduced from $2,560 million in 1953/54 to $2,190 million in 1954/55, and the guarantee to be paid by importers was revised in April 1954 as a measure for restricting imports.

Apart from the withdrawal of the special privileges of importers, the process of restricting credit has been rather unselective. The choice of the lines in which credit shall be restricted has been determined by the Federation of Bankers' Associations of Japan. The chief criterion laid down is restriction of equipment funds; but these have not in fact contracted as much as expected. The only reference to unnecessary consumption is an injunction to restrict urgent working capital advances more closely when they are likely to lead to an expansion in individual consumption. Only for small businesses is export promotion made a criterion for obtaining loans. In short the banks have been given substantial discretion in selecting customers for whom they will curtail credit and the restriction has therefore probably been applied mainly on the basis of ordinary commercial credit criteria. Its chief effects appear to have been a general curtailment of business activity particulary among small businesses and the resuscitation of monopoly tendencies[2] in certain sectors of the economy.

1. Excluding foreign exchange special account, the total of excess payments is estimated at Y134,800 million.

2. Merger of enterprises, especially of big ones, increased in April-September 1954, compared with the corresponding period of 1953.

Effects of the monetary restriction

It cannot be doubted that the policy of monetary restriction pursued since the end of 1953 had an effect on various sectors of the economy, such as prices, production and employment. Effects became apparent around spring of 1954 and dominated economic trends at least for a few months. But by the end of the year the economy again showed a sign of a slight upturn, apparently supported by increased effective demand arising out of the government sector and exports.[1] Commodity balance of trade also improved markedly during the year. But how far this improvement was due to the policy of monetary restriction as intended is not easy to ascertain. In view of the decline of investments in durable equipment it is also doubtful if any more genuine cost reduction was achieved during the year than there was in preceding years.[2]

For the first time in 23 years, the Bank of Japan note issue at the close of 1954 registered a figure smaller than that of preceding year. The central bank credit as reflected in the outstanding loans and discounts of the Bank of Japan was also smaller at the end of December 1954 by 19 per cent when compared with the corresponding figure of 1953.

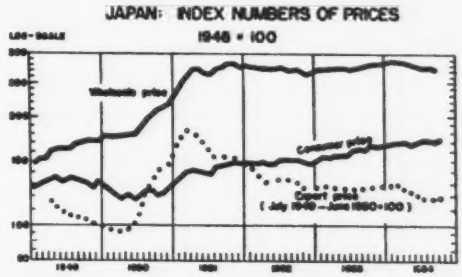
Net deposits[3] of all banks decreased a little in the first half of 1954, but by October were a little above the January level. The net deflationary impact of monetary restrictions may be gauged by comparing the increase of net deposits between January and October 1954 (Y93,400 million) with the corresponding figure (Y309,100 million) for 1953. Loans also expanded between January and October 1954 by Y136,400 million, but the deflationary impact can again be seen by comparing this with the expansion of Y412,000 million in the same period of 1953. Among these loans, advances of equipment funds started declining markedly only in the third quarter of 1954, whilst the restriction on funds for the supply of working capital was already severe in the first quarter and was reversed somewhat in th ethird quarter. The rate of expansion of loans slowed down for almost all industries, except local public bodies. Loans to the wholesale and retail trade contracted by Y57,700 million between January and August 1954. Loans to medium and small enterprises with a capital of less than Y10 million showed an excess of collection in all industries, indicating the financial difficulties of these enterprises.

Other sources of capital to industry have also contracted. Estimates for the fiscal year 1954/55 prepared by the Ministry of Finance show a decline of Y33,500 million in retained profit and depreciation (internal funds) compared with 1953/54, and a decline of Y43,700 million in new equity issues, while government funds have remained virtually unchanged.

Wholesale *prices* which had been rising up to February 1954, began falling in March partly owing to dealers' financial difficulties, dumping of commodity stocks, bankcruptcies, etc. In October, however, by which time a decline of 7 per cent was registered, the declining trend appears to have been arrested. A lead was taken by raw materials prices in September, recovering by more than 4 per cent by the end of the year, and was followed by those of semi-finished goods. The average of wholesale prices of all commodities in the last quarter of 1954 was actually higher than that of the third quarter. Retail prices, on the other hand, after rising up to April 1954, remained virtually unchanged in the subsequent months at a level about 3 per cent higher than that of October 1953 and started weakening only in the closing months of the year. A similar trend is observed for the consumer price index (all cities), for which a post-war peak was, in fact, recorded in October 1954 and thenafter a decline set in. Such lags are typical in short-run fluctuations of a modern market economy.

Chart 36

JAPAN: INDEX NUMBERS OF PRICES



The export price index has fallen continuously since April 1954, and in September was 7 per cent lower than a year before. The import price index has also declined, a little every month, since April 1954.[4] Here again, however, the declining trend was arrested for both indices in the last quarter of the year. It is especially to be noted that whereas the wholesale price index in 1954 stood at a level higher than in any previous year, actually 5 per cent above the international peak year of 1951, Japan's export price index in 1954 was 25 per cent lower than in 1951.[5] The net terms of trade, however, have not worsened for Japan inasmuch as import prices stood at a still lower level relative to the pre-Korean-war period.

Cash *earnings* of workers employed in manufacturing industries in 1954 were, month by month, consistently higher than in the previous year, although the uptrend appears to have been arrested in the latter half of the year. Workers employed in smaller establishments, however, felt the impact of the deflationary condition. And even those in bigger ones suffered a greater degree of arrears, especially in coal mines and shipbuilding. Wages in arrears,[6] as canvassed by the Ministry of Labour, amounted to Y2,042 million, affecting close to 200,000 workers, in October 1954, which is more than twice the sum in April the same year.

Whether the deflationary policy in fact encouraged rationalization as intended, thus reducing the cost of labour factor, is yet too early to tell. But indices of labour cost, as a function of labour productivity and unit wage payments, have not, on the whole, shown any noticeable change betweeen the

1. In the third quarter of 1954, for example, the supply of private equipment funds (exclusive of internal funds) was Y32,400 million less than the amount in the corresponding period of 1953. But in the same quarter, the current general account expenditure of the central government was Y27,900 million higher and the current foreign exchange receipts Y20,600 million higher than the corresponding figures of 1953.
2. It was estimated that the rate of increase in labour productivity of most industries in the third quarter of 1954 was only 10 per cent of that in the corresponding quarter of 1953.
3. Total deposits less cheques in course of collection.
4. The rate of all in the import price index was smaller than that in the wholesale price. This is in contrast to the situation in 1953 when the import price index fell by 13 per cent but the wholesale price rose by 3 per cent.
5. The disparity between export prices and domestic prices can be explained partly by comparatively higher prices for foodstuffs and construction materials and partly by export promotion measures such as raw material tied to exports and other forms of the link system.
6. Amount of wages which ought to have been paid but were not paid or delayed, due to the financial difficulty of employers, as of month-end.

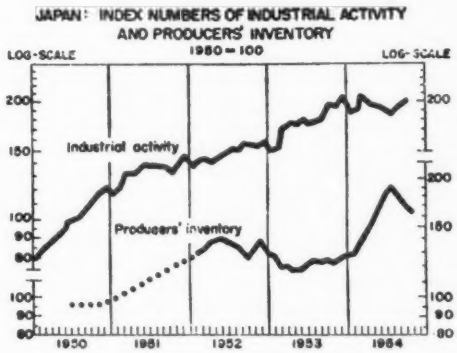
third quarter of 1953 and a year later. The arithmetical average of such indices for 11 major industries[1] actually rose 2.3 per cent during the year, whereas wholesale price index declined slightly meanwhile. Implied squeeze on profits is corroborated by the drastic decline in corporate profits as declared for tax purpose by 635 manufacturing companies (with paid-up capital of Y100 million or higher) on settlement of accounts for the half-year ending in September 1954. Aggregate net profits for the period amounted to Y42,750 million, or 32 per cent less than the previous half-year. Profits of textile companies were reduced to about one-third and those of metal manufatturing companies (mainly steel) were reduced by 60 per cent.

In the sphere of *production*, agriculture was little affected by the deflationary policy and depended more on weather conditions which in 1954 were more favourable than a year before. The wheat and barley crops were a post-war record, in 1954, the official final estimates being 1.5 million tons for wheat, 1.2 million for barley and 1.3 million for naked barley. The 1954 rice crop is officially estimated at 9.1 million tons[2] (0.9 million tons more than in 1953 but 8 per cent lower than the average crop). The total quota for delivery of rice is 3.3 million tons (1.2 million tons more than the quota, and 0.2 million tons more than the actual delivery in 1953). Government purchasing prices for barley and naked barley were reduced by 1.6 per cent and 0.9 per cent respectively, while for wheat the price was raised by 4.9 per cent. For rice, the average (effective) government purchasing price was reduced by 2 per cent (to Y9,718 per 150 kg) including bonuses and special payments.[3] However, the income of rice farmers is expected to be greater than in 1953, because of larger quantities delivered. Thus over-all agricultural production in 1954 is expected to increase considerably, as compared with 1953. Although non-agricultural income of farmers has declined by 13 per cent, the farming family income as a whole is estimated to have risen by 10 per cent in the period from April to September in 1954 as compared with the corresponding period in 1953. However, the condition of farmers cultivating less than 0.5 hectares has definitely deteriorated in the course of the year.

In the sphere of industry, the index of industrial activity (1950=100) which had been rising during 1953 maintained (apart from a normal seasonal recession) the high level achieved at the end of that year, until a decline began in April 1954, which continued through the next four months. In September the trend was again reversed and the index for the last quarter of the year, 202, recorded the highest ever achieved. For the year as a whole the index stood 6.5 per cent above the level of 1953.

In the first half of 1954, tight money affected distribution first, particularly the wholesalers, bringing about inventory adjustment along with declining wholesale prices; then manufactures felt the effcts of this adjustment in an increase in their stocks, which in turn led to a contraction of production. Indices of producers' stocks, which had been increasing rapidly since the beginning of the year, began to decrease in August.

Chart 37



There are voluntary agreements to restrict production among the big enterprises in the coal, steel, radio set, caustic soda, and tyre industries.[4] The decrease in producers' stocks after August is attributed partly to these restrictions of production, but the index of producers' stocks in September 1954 was still 42 per cent higher than a year ago.

The trend of production varied with different lines of industry. Firstly, there were those which, even before the restrictive measures were taken, had been suffering from recessional conditions, such as coal mining, carbide, radio, woollen fabrics, paper, pulp, etc. Secondly, there were those which, in spite of the generally deflationary condition, remained strong throughout the year, such as ammonium sulphate, cement, petroleum and products, etc. Thirdly, industries which appear to have been affected most strongly by credit tightening were iron and steel and cotton textiles. Both were hit severely by the stringency of short-term credit and weakened in prices. Prices of semi-finished steel products, for example, declined by 20 to 30 per cent between October 1953 and August 1954. Cotton yarns, too, declined in prices by 30 per cent within a year since the autumn of 1953, dragging down the group price index of textiles as a whole to a level almost 9 per cent below the pre-Korean-war level. No other group index was below this latter level in October 1954. Partly because they were hit most severely by the monetary restriction, these two industries, with lowered prices, sought energetically their markets abroad and succeeded by the latter half of 1954 in halting any further depression.

Trend in *employment* has also reflected the deflationary condition of the economy as a whole. The number of totally unemployed, which had remained remarkably stable from 1950 to 1953, started increasing in the spring of 1954 and by August reached a level 65 per cent above that of a year before. The employment index of regular workers in mining (1947=100) declined from April 1953 owing to a reduction of workers by the major coal-mining companies, and continued to worsen month after month. The employment index of manufacturing industry from January to June 1954 was above that of the same period in 1953 because high production in 1953 led to a larger number of new entrants from schools in April; but since May, it has been declining, and in August was lower than a year before.

1. Economic Counsel Board, *Monthly Economic Bulletin* (in Japanese), December 1954, p.47. Industries covered are: coal-mining, iron and steel, meta-lmining, ammonium sulphate, petroleum and coal manufactures, paper pulp, electrical machinery, rolling stock, silk manfacture, cotton-spinning, and chemical fibres.

2. These figures are for brown rice.

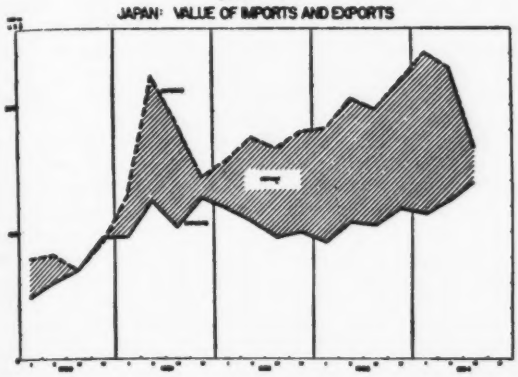
3. The actual amount received for a given quantity of rice depends on the proportion earning bonus. For a given proportion the effective price was reduced in 1954, but the proportions earning bonus have risen because of the early crop.

4. Economic Counsel Board, *Monthly Economic Bulletin* (in Japanese), October 1954 and January 1955. Quantity of production is usually reduced according to installed capacity or past production of each enterprise or by allocation of the raw materials imported.

Trade and payments

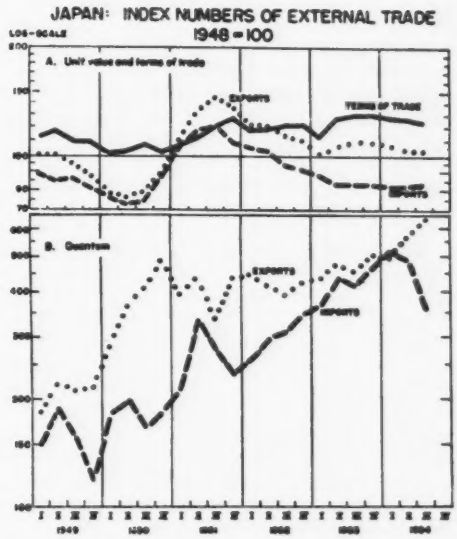
Trend in trade and payments is the result of an interaction of both internal and external forces and cannot be explained solely in terms of the domestic situation or policies. The policy of monetary restriction pursued in Japan since the last quarter of 1953 was principally aimed at improving its external position via reduction of domestic purchasing power. As over-all trade statistics of 1954 reveal, there seems to have been a good progress made in this direction.

Chart 38



Total exports (Customs Office figure) in 1954 amounted to $1,630 million, or 28 per cent higher than in 1953, while imports amounted to $2,380 million, or practically the same level as in 1953. Improvement was especially marked in the latter half of 1954, when exports at an annual rate reached the record level of $1,820 million and imports declined to $1,976 million (annual rate), an improvement in the trade balance of $1,000 million (annual rate) in comparison with the same period in 1953.

Chart 39



Commoditywise, the expansion of *exports* was greatest in textiles and metals. These two groups together accounted for 73 per cent ($258 million) of the total increase of 1954 over 1953. In fact, all the export commodity groups gained more or less, probably reflecting, in part, the over-all increase in the world trade in 1954. An analysis of the increases and decreases of exports by commodities and countries in which expansion has been achieved can help to determine what factors have been chiefly responsible for the gains so far achived.

TABLE 47

JAPAN: CHANGES IN EXPORTS BY PRINCIPAL COUNTRIES AND COMMODITIES BETWEEN JANUARY-NOVEMBER 1953 AND JANUARY-NOVEMBER 1954

	Textiles[a]		Metals		Machinery and Vehicles[b]		Grand total of exports	
	1954 (Jan-Nov)	Increase (+) or decrease (−) over same period in 1953	1954 (Jan-Nov)	Increase (+) or decrease (−) over same period in 1953	1954 (Jan-Nov)	Increase (+) or decrease (−) over same period in 1953	1954 (Jan-Nov)	Increase (+) or decrease (−) over same period in 1953
Sterling area								
Australia	15.2	+11.5	1.5	+ 0.7	..	..	24.6	+17.1
Burma	21.8	+ 6.3	7.2	+ 3.1	2.6	+ 1.8	41.9	+13.2
Pakistan	18.0	+13.4	3.2	+ 0.8	8.0	+ 2.4	32.9	+16.4
United Kingdom and colonies	72.9	+34.7	9.6	−16.2	2.7	+ 1.1	135.8	+45.5
Open account area								
Argentine	1.1	+ 0.8	38.4	+33.4	0.3	+ 0.3	47.0	+38.0
Brazil	8.2	+ 5.3	36.4	+31.1	11.5	+ 8.1	82.5	+68.0
Indonesia	70.4	+ 9.0	14.4	+10.4	3.4	+ 3.1	116.5	+36.5
Dollar area								
United States	48.6	+ 6.2	6.4	−18.9	14.9	−10.7	226.2	−16.6
Grand total	466.2	+140.9	178.7	+30.1	97.0	+10.4	1,370.0	+323.5

Source: Bank of Japan: *Foreign Exchange Statistics Monthly.*
a. Cotton, silk and artificial fibre yarns and products.
b. Including optical goods.

Table 47 shows the increase or decrease in the main exports in the sterling area, the open account area and the dollar area together with principal countries with which there has been any marked change. It will be noticed that the expansion is confined to the open account area and the sterling area. Exports to Argentine, Brazil and Indonesia in the open account area have increased greatly. In Argentine the expansion is mainly one of export of metals; in Brazil, of metals, machinery and textiles. In Indonesia there has been large expansion in textiles as well as in metals, machinery and other capital goods.

The trade agreement with Argentine was renewed in February 1954 providing for $90 million trade each way, which has probably stimulated Argentine's purchases, helping to overcome the adverse balance in the account. With Brazil an agreement was signed in June 1953 and renewed in 1954 for a further year, with a deferred payment system. Also Japan has been actively buying Brazilian goods to help to meet Brazil's exchange difficulties in buying from Japan. In Indonesia substantial debit balances have accumulated in the open account and in view of the difficulties in settling the reparations problems, it is difficult to predict how payment will, in fact, be made. This gain in exports can, therefore, hardly be regarded as very significant.

Since losses in the dollar area are offset by substantial increases in exports to Pakistan, Australia, Burma, and the British colonies, it is worth giving the latter some further attention.

Here, expansion has been assisted by successful trade negotiations, including the Anglo-Japanese payments agreement in October 1952, followed by a conference in January 1954 which has greatly assisted Japan's trade in British colonial markets. In the Australian market Japanese textiles were assisted by the removal of many restrictions on Japanese goods, both in October 1953 and early in 1954. In Burma, Japan has benefited greatly from the revised tariff introduced at the end of 1953, especially for its textiles; and the conclusion of a reparations agreement providing for joint investment will stimulate exports of capital goods. Exports of textiles to Pakistan have benefited from a trade agreement reached in April 1953, and exports of machinery from an agreement on terms for deferred payments reached in October 1953. These successes in the sterling area are largely independent of the policy of monetary restriction in Japan. Nevertheless, these are competitive markets, and probably at least a part of the increase in trade was due to lower export prices, and even more to the improved quality of Japanese goods in recent years.

In general, the factor of prices was definitely an element in the situation. For example, the increase in exports to Argentine, Brazil and Indonesia may be partly a result of reduced prices, since textiles and metals figure prominently in trade with them and these are the products in which price falls have been greatest.[1] It must be pointed out, however, that some of the price reduction of Japan's exports in 1954 was due to a special link system (the so-called "below-cost compensation link system") through which exports of certain commodities such as heavy machinery, ships, rails, etc. were linked to import licences (with foreign exchange allocations) for especially profitable goods, such as crude sugar and petroleum. Towards the end of 1954, however, the Japanese Government seems to have realized to what excesses the export drive had gone and announced its intention to abolish such extreme measures for export promotion. Although price reduction was a factor in the expansion of the country's export trade, it is doubtful how well-grounded such reduction was in terms of improvement in productivity.

There was a time lag between the adoption of the policy of curtailment and actual curtailment of *imports*, as a large part of the imports of food grains, necessitated by the bad 1953 rice crop, arrived in the first half of 1954. The total value of imports, which had exceeded $200 million in every month from December 1953 to May 1954, dropped to $196 million in June and has since declined to an average level of less than $165 million in the latter half of 1954. This latest decline is quite impressive and is partly accounted for by a slight fall in the unit value of imports. But a closer analysis of quantum figures for major import commodities reveals varying forces at work in bringing about this result (see table 48). In the latter half of 1954, import of major foodgrains, in particular rice, was distinctly less than in the first half, but was comparable to the average level between 1950 and 1953. Import of soya beans was substantially below the level of 1953, but here also the average level of 1950-53 was maintained. As for industrial raw materials, import for textile industries was generally lower and that for heavy industries higher in the latter half of 1954 than in the peak import year of 1953. However, in comparison with the average of 1950-53, imports of raw materials in the latest half-year were generally higher, but not to the same extent as the index of manufacturing production was higher (40 per cent) than the average of 1950-53. In the case of certain commodities, such as raw wool, rubber, hides and skins, hemp and vegetable oils, the weak demand can be traced to the desire of business for inventory adjustment. Average inventories of imported raw materials as a ratio to their factory consumption during a month have declined for most of the commodities in the second half of 1954, and this fact suggests probable recovery in import demand for them in 1955.

TABLE 48

JAPAN: IMPORTS OF FOOD AND RAW MATERIALS

(monthly average)

(Thousand tons, except as indicated)

	1950-53 (average)	1953 (Jan-Dec)	1954 (Jan-Jun)	1954 (Jul-Dec)
Rice	73	90	177	81
Wheat	136	141	206	158
Barley	58	59	92	38
(Above total)	(268)	(289)	(475)	(255)
Sugar	58	91	85	84
Soya beans	24	37	60	24
Iron ore	283	358	415	419
Raw cotton	38	45	53	37
Rubber	6	8	7	7
Raw wool	5	8	7	5
Hemp, jute, etc.	5	7	5	6
Phosphate rock	85	88	112	121
Salt	110	115	128	161
Petroleum ('000 kl)	454	763	804	837
Coal	229	410	284	317

Source: For 1950-June 1954: Ministry of Finance, *General Survey of Foreign Trade*, November 1954.
For July-December 1954: Ministry of Finance, *Summary of Foreign Trade*, December 1954.

1. Between February and September 1954, the over-all export price index declined by 9 per cent, the specific index for textiles by 11 per cent and that for metals and manufactures by 14 per cent.

The favourable turn in commodity trade balance, as noted above, has reversed the trend in Japan's *balance of payments* from the average monthly deficit of $16 million in 1953 and the similar deficit of $29.6 million in the first half of 1954 to the surplus of $46 million in the second half of 1954. The turn came actually in June, gained momentum towards the end of the year, and finally produced an excess receipt of $100 million for the year as a whole. Thus Japan's foreign exchange holdings as of 30 November 1954 stood at $975 million. Such an improvement is remarkable especially in view of the fact that receipts from special precurement, which occupied close to 40 per cent of the total foreign exchange receipts in 1952-53, declined steadily during the year, totalling $596 million in 1954, against $809 million in the previous year.

Whilst the balances of payments with the sterling area and the open account area were substantially improved, that with the dollar area deteriorated. Imports from the dollar area increased despite the general import curtailment, and between April and September 1954 were some 60 per cent of total imports. This heavy dependence on the dollar area for imports is partly due to the increased imports of wheat, raw cotton and electrical machinery financed by the United States Foreign Operations Administration aid, the United States Export-Import Bank and the International Bank for Reconstruction and Development.[1] As these financial aids were to some extent direct contributing factors to the improvement of the balance of payments and also there were increased credits tied up in the open account, the permanent improvement in the balance of payments is much less than the above figures indicate.

PROSPECTS

With an increase of its industrial production by 100 per cent in four years after the outbreak of the Korean war, Japan still faces the problem of economic viability as a major task for its future. In a sense, the windfall of the Korean-war boom made it more difficult for Japan to regain its genuine equilibrium by prejudicing its industrial structure in favour of those sectors which were especially receptive to extraordinary non-competitive demand of a war-like situation. The period of windfall is now passed, leaving in its wake an average standard of living 48 per cent higher than the *status quo ante* and over-inflated heavy industries which had had little experience of international competition under normal trade conditions. Theoretically, profits of the boom could have been utilized for the development of a well-rounded industrial structure. But in practice the basic economic motive forces had more or less free play.

Domestic prices, which, under the stimulus of the Korean-war boom, had risen by 1951 to a level 66 per cent above that of April 1949 (when the single exchange standard of Y360 to a dollar was established), have continued to rise in the course of the following three years, in marked contrast to the trend in most other countries. This disparity combined with the fixed exchange rate naturally discouraged Japan's exports and gave an added stimulus to increases in imports. The so-called "deflation" policy was adopted towards the end of 1953 mainly for the purpose of restoring the external equilibrium; but it was confined largely to the monetary sphere while fiscal disbursements on the whole went on increasing.

The policy of monetary restriction did yield some results after a year. Prices came down by 5.6 per cent during the year following October 1953, and the commodity balance of trade improved markedly by the latter half of 1954. But while the deflationary tendency appears to have come to a stop with some improvement in price-cost relation, the expansion of exports is largely explained in terms of successful trade negotiations and the price cut due to changed market conditions.

The balance of payments crisis is, for Japan, not an immediate issue inasmuch as a large part (about one-fourth in 1954) of the current foreign exchange receipts is still being earned through the special procurement of the United States forces stationed in Japan. However, the very fact that the balance is being achieved thanks to an extraordinary income implies the possibility of a sudden dislocation when and if that income disappears abruptly, while the fact of balance today might be conducive to postponement of measures for further development.

The Government of Japan has of late showed a greater inclination to the possibility of external aid or capital import from abroad not only as a balancing factor but also as a source of funds to modernize its industries. Here also, however, limitations are inherent as is exemplified by the problems created by the recent negotiation with the United States on the purchase of the latter's surplus agricultural commodities. Although Japan may be able to purchase with its own currency rice, wheat, etc. from the United States, the consequent decrease in purchase of these goods from other countries is likely to reduce Japan's exports to them, and thus its foreign exchange earnings.

Increasing attention is now being directed towards relaxing the embargo on trade with mainland China. Such an action would open the possibilities of obtaining at cheaper prices raw materials for Japan's heavy industry as well as of expanding the market for some of its major export industries. However, too high an expectation cannot be placed on the favourable effect of these possibilities. If a sizable unbalance in trade tends to emerge whenever Japan tries to expand its productive activities, more far-reaching measures may become necessary than have hitherto been considered.

1. Excluding the imports financed by external aid, a substantial increase was seen in the imports of foodgrains from the United States and Canada, of raw cotton from Mexico.

Chapter 15. KOREA[1]

For the Republic of Korea 1954 is the first year of post-war reconstruction of a divided economy. Not only did its liberation from Japanese rule have the effect of cutting it off from many markets and sources of raw materials and nearly all its trained managers and technicians; but the separation of the northern provinces, begun at the liberation and accentuated by the Korean war, deprived the light industry of south Korea of its power and heavy industrial base, and its agriculture of the main source of fertilizer on which the rice supply largely depended.

The disintegration of Korean economy at the time of liberation, the great destruction of productive equipment during the Korean war, and the maintenance of large defence forces, have compelled the South Korean economy to depend heavily on external aid and to make long-run plans by which this aid can, over a limited period, build up an independent economy.

The government inherited from the military administration 2,400 business and industrial units and over 160,000 residences. Of these more than two-thirds of the businesses and about two-fifths of the residences had already been sold by 1 June 1954. Under the constitution of the Republic of Korea, which was promulgated in 1948, it was laid down that considerable sectors of the economy should remain in government hands. However, the government in 1954 put forward several constitutional amendments designed to free its hand for further development of private enterprises and recently sales of all state-owned mines except a few to Korean nationals by 1955 have been decided. The shift of government policy to encourage private enterprises has gradually and effectively been implemented, and the government control and ownership of large industries will be eliminated in due course of time. The urgent need for foreign capital has also stimulated increasing interest in extending private enterprises.

Neither the United Nations Korean Reconstruction Agency (UNKRA) nor the United States Foreign Operations Administration (FOA) base their present activities on the assumption that there will be a permanent system of planning for South Korea's economy, though the detailed programming of the different industries and their interactions probably goes as far as is found in any democratic society. But to ensure an underdeveloped economy that can balance its budgets and operate effectively it is necessary to plan for adequate capital equipment, and still more for adequate exports.

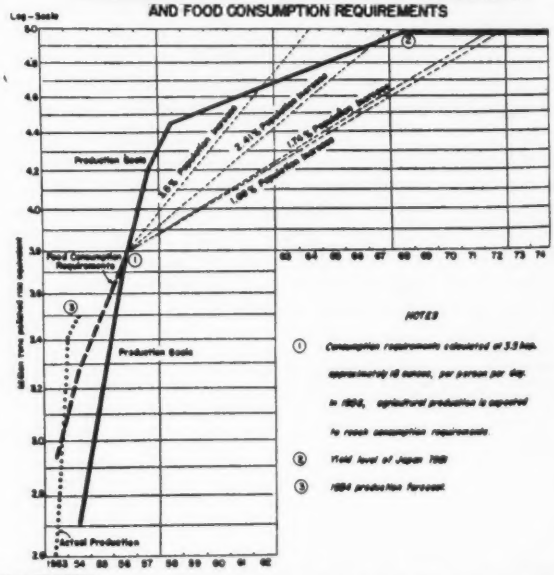
1. The present chapter covers economic development in the Republic of Korea.

The dependence on the United States market is likely to diminish as South Korea's minerals find other buyers.[2] As Japan is the only rice-deficit country with a preference for the Korean type of rice, the restoration of the country's role as a rice exporter may increase its dependence on Japan as a market. The government, however, is anxious to be as little dependent on Japan as possible; it has, for example, shown great reluctance to allow Japan to be included among the countries from which tenders for supplies of goods bought with United States aid funds may be obtained.

Nevertheless it is difficult to see how south Korea can be economically independent without substantial exports of food. Only in agriculture has its rehabilitation so far exceeded expectations. Plans for development of irrigation, fertilizers, seed selection, etc. are designed to produce a regular surplus for export by about 1957. A serious long-run problem, however, is the rapid rate of population growth (one estimate of which is over 3 per cent per annum), which will rapidly eat up the food otherwise available for export, even if the maximum probable agricultural development is achieved. Chart 38 illustrates the projected increase of food supplies, as compared with several different projections of population based on past experience. This shows clearly that within a few years of achieving economic independence the Republic of Korea will be facing a serious problem of over-population.

Chart 40

THE REPUBLIC OF KOREA: AGRICULTURAL PRODUCTION GOALS AND FOOD CONSUMPTION REQUIREMENTS



2. In 1953, the United States took 77 per cent and Japan 15 per cent of South Korea's exports; they supplied respectively 48 per cent and 35 per cent of its imports.

LONG-RUN PLANS

While long-run plans were beginning to be made by the United States Economic Co-operation Administration, and the Government of the Republic of Korea, in the early months of 1950, very little more than relief and immediate reconstruction had been achieved at the outbreak of the Korean war.

The first attempt at long-run planning in south Korea was made by the Office of Planning of the Republic of Korea This plan has been criticized, mainly for postulating more generous living standards and social services than could be afforded if an adequate volume of capital formation was to be achieved within a reasonable period of years.

Further long-rrange planning has been undertaken in south Korea by UNKRA in cooperation with the government. UNKRA which was established in 1950 by resolution 410(V) of the General Assembly, not only itself planned a substantial number of rehabilitation projects but also engaged a firm of consultants to make a general survey and prepare a plan of reconstruction for the economy. This firm's report, published in June 1954, set as a goal the reconstruction of the economy to yield a national income per head slightly larger than that of 1950, without foreign aid. In planning how to attain this goal the report estimated at approximately $175 million the cost of the armed forces that the Republic could reasonably bear from its own resources, and postulated that if additional armed forces were maintained this would have to be part of a larger regional scheme financed from external sources. The programme postulated, in addition, the reorganization and tightening-up of the machinery of administration and the achievement of greater co-ordination in the detailed day-to-day planning of the economy. Since neither of these postulates has at present been met, the plan has not been accepted as a basis for over-all decisions for the economy of the Republic at present, though several of its detailed recommendations for particular parts of the economy such as power development have been substantially implemented.

The report emphasized the need to gain control of inflation and restore the effectiveness of the price mechanism as a first priority. Thereafter an investment programme was recommended to build up the productivity of Korean industry so as to achieve a viable economy by the year 1958/59. In planning the investment those outlets were emphasized in which productivity was highest, so that the average additional yield projected was to be raised by a rigorous process of selection, as high as one unit of annual income for every 1.7 units of investment in capacity expansion. The report emphasized that the level of consumption must not rise immediately in proportion to the rise in productive efficiency since a balance must be left to enable the country to build up its exports and to make a contribution to investment. It pointed out, however, that during the building-up period the country could produce no net surplus for investment, so that the only immediate effect of diverting local resources to the production of investment goods would be to change the proportion between consumption and investment goods in the total aid requirements. Yet this change was necessary as part of the process of building the economy up to a condition in which it could meet its own long-run requirements.

Table 49 shows the projection of the national income and of the import and export position and requirement of aid goods which form the basis of analysis of the Consultants' report. The investment plan is formulated in the first instance as indicated above, in the light of technical assessment of possibility. It is phased so that power, transport, etc., will be available as required by other sectors. Output is estimated on the basis of this investment, and total consumption on the basis of a standard of living rising steadily toward the target level. It is assumed to be the task (admittedly a difficult one) of the Republic Government to keep consumption to this level in spite of a more rapid rise in production.

The pegging of consumption standards while production increases rapidly is a difficult task since high rates of taxation may well undermine the incentive to increase production in

TABLE 49

REPUBLIC OF KOREA: PROJECTED REQUIREMENTS AND RESOURCES

(million dollars at 1952/53 prices)

	1953/54[a]	1954/55	1955/56	1956/57	1957/58	1958/59
Requirements for final product						
Personal consumption	1,325	1,440	1,540	1,630	1,717	1,785
Gross domestic investment	268	445	468	438	410	300
Government	350	370	380	390	405	425
National security	150	150	150	150	150	150
Other	200	220	230	240	255	275
Total	1,943	2,255	2,388	2,458	2,532	2,510
Gross national product	1,659	1,905	2,093	2,279	2,400	2,510
Foreign aid arrivals	284	350	295	179	132	—
Total import requirements	404	512	468	384	362	249
Exchange receipts[b]	120	162	173	205	230	249

Sources: United Nations Korean Reconstruction Agency: *An Economic Programme for Korean Reconstruction.*

a. The figures shown for 1953/54 are projections related to the proposed programme. They are not forecasts based upon present programmes, which include the support of a much larger security force than the "normal" force assumed. A forecast for 1953/54 differs in the following respects:

(1) Requirements for national security spending, for total government spending and total requirements are all raised by about $300 million.

(2) Income originating in the form of military wage and salary payments and gross national product are both raised by about $60 million.

(3) Consequently, net import requirements are about $240 million higher.

b. Including exports, UNC Aswan settlements and other net invisible receipts.

South Korea. The existing tax system could probably yield substantially increased revenues if collection could be improved. The percentage of collections to assessments in nine months of 1953/54 was nearly 80, but it is not certain that assessments were as great as tax liabilities. The proportion of the total gross national income taken in taxation, central and local, is approximately 20 per cent, and this must be considered high for an economy which has suffered a recent drastic fall in the standard of living. It is not planned to increase this proportion for 1954/55, although such an increase would be necessary to fulfil the conditions postulated in the consultants report.

An analysis prepared by the Office of the United Nations Command Economic Co-ordinator indicates that though gross national product plus net imports for 1953/54 was some $300 million less than that visualized in the consultants' report, the expenditure on personal consumption in south Korea was over $100 million greater. Domestic investment was only about two thirds of the figure in the report. Perhaps more significantly the comparatively small rise in government salaries that actually occurred, instead of the much larger rise postulated in the report, resulted in a much smaller proportion of the total expenditure accounted for by the government sector. Without a substantial increase in government salaries and other administrative improvements it may prove difficult to achieve the expansion of revenue collection.

Events which have already occurred make it impossible for anything like the Consultants' report's targets to be attained within the stipulated period, but it still affords a highly useful basis for the planning which may be undertaken once the present inflationary situation is brought under control and an agreed system of long-run programming is worked out.

The difficulties of achieving stabilization have been accentuated by curtailments of the programme of UNKRA, as well as by delays in arrival of aid goods financed by FOA. In 1950, a committee of the United Nations Economic and Social Council estimated UNKRA's requirements for the first full year of operation at $250 million. UNKRA has never, in fact, been able to plan on the scale of an annual budget of this size, but the figure forms a basis for its schemes in different fields, in the implementation of its directive from the United Nations. Failure to obtain the funds[1] has resulted in substantial curtailments of the original plans. The seriousness of the situation is, however, less than might be inferred from the need for aid goods to finance investment and UNKRA's inability to obtain the necessary funds from member governments; for on the cessation of hostilities $200 million was made available to the Republic of Korea by the United States Government through FOA. If the economy is to be effectively assisted, substantial further funds will have to be provided.[2]

This change in emphasis introduces an additional problem in the co-ordination of long-run planning. By an agreement reached in September 1953 the responsibility of UNKRA and the Korean Civil Assistance Command (KCAC), the operating arm of FOA, were allotted as follows: UNKRA was to be responsible for industry, mining, education, vocational training, fisheries, irrigation, forestry, flood control and housing; KCAC transport, communications, public works, power, agriculture, public health, social affairs and labour, and fund distribution. Other co-ordinating machinery was also established, including a Combined Economic Board consisting of the Economic Co-ordinator appointed by the United States Government to co-ordinate UNKRA and other aid agencies and represent FOA on the one hand, and a representative of the Government of the Republic of Korea on the other. This Combined Economic Board has also a finance committee which has the responsibility of co-ordinating all releases of funds with a view to controlling inflationary effects.

While harmonious relations have been achieved between the different aid agencies the co-ordinating machinery seems to call for improvement. Co-ordination of planning by division of function, even if administered flexibly, is unlikely to be wholly satisfactory; and where historical influences have caused industry, irrigation and flood control to be administered by one agency, power and agriculture by another, the task necessarily imposes great strains.[3] Moreover, the Republic of Korea and the aid agencies are each autonomous with an effective veto. No joint secretariat has yet been devised, and this has effectively prevented any co-ordinated long-run plan.

The problem of short-run co-ordination is being solved mainly by phasing FOA expenditure to fit in with expenditure plans of the other responsible agencies. The aim is to sell enough imported aid goods during any given quarter to mop up the inflationary effects of deficits in other sectors. The rising expenditure under the war account, and the credits that the Bank of Korea has to issue to meet the losses of government monopolies working under controlled prices and to maintain expenses of new national projects, have so far created inflationary pressures that could only be offset by much more substantial imports of raw materials or consumer goods for sale.

It is, however, often hard to select appropriate aid goods to import for sale. Finished products may compete with struggling local industry; raw materials may find few buyers if credit is difficult. No doubt, in theory, it would always be possible to import consumer goods to mop up any excess of currency created; but where big incomes escape the tax collector it may be inadvisable to import luxury goods to absorb them, even if the controllers had the necessary detailed knowledge.

Long-run planning has, in effect, been confined to particular programmes on which agreement can be secured. A five-year plan for developing coal mines was set up in 1954 envisaging an expansion of output to 2.7 million tons in the final year by improved equipment and transport. The Electric Power Development Committee established in November 1953 has drawn up a three-year programme for increasing electric power, with capacity in the final year expected to reach 350,000 kW.

A programme of railway building is being undertaken to give access to coal mines and to the Samchok industrial area. Much repair work and rehabilitation of existing lines will also

1. A programme of $71 million for 1952/53 was spent or committed by UNKRA by the middle of 1954. Further programmes have been approved by the United Nations General Assembly as follows: for 1953/54 a programme of $130 million, approved by the Advisory Committee in August 1953, was later reduced to $85 million by the General Assembly itself, owing to shortage of funds in December 1953; a programme of $110 million for 1954/55 was approved by the Advisory Committee in December 1953; the $85 million 1953/54 programme was further reduced to a first increment of $22 million and an additional increment of about $6 million. The reduced 1953/54 programme is likely to be carried forward into 1955 and the 1954/55 programme of $110 million to be eliminated. Total funds made available up to September 1954 were less than half of the $250 million originally envisaged by the Economic and Social Council.

2. An American-Korean aid agreement was signed in November 1954.

3. Owing to shortage of funds UNKRA functions recently handed over to FOA and KCAC include: a large fertilizer plant (joint venture, almost all funds supplied by FOA); power responsibilities formerly left to UNKRA under original division of functions; and effective responsibility for irrigation.

be necessary. The road network is very inadequate, but some improvements have been made by both the United Nations Command Forces and by the Republic of Korea forces and, in addition, a small amount of road improvement has been undertaken as part of the very successful community development projects in the provinces.

The programme of irrigation has been seriously delayed, partly by the pressure to curtail UNKRA activities. Transfer of this responsibility to FOA may lead to substantial expansion.

Some interesting techniques of planning have been developed in south Korea, for example the employment of particular technical firms as advisers to an entire industry, such as coal. In a number of cases the firms constructing plants for the country have been required to sign contracts for running them for a limited period and training Koreans to operate them. The consultants' report also suggests an extensive system of management contracts for Korean enterprises by which private foreign firms would manage the undertakings for a commission, taking Koreans to their branches overseas and training them to take over at the end of the contract. This suggestion has not, however, been widely followed in south Korea.

CURRENT DEVELOPMENTS

In accordance with the long-range plans of the Consultants' report and the underlying assumptions of the south Korean economy, there are three principal instruments for achieving the immediate goal of a free-market economy based on a reasonably stable price mechanism: first, a substantial increase in production; next, an increase in aid goods for sale, and finally a greater measure of control over factors expanding the money supply.

Production

Developments have generally been more successful in *agriculture* than in other sectors, owing to favourable weather and improved fertilizer supplies. South Korea, with an estimated total requirements of food grains at about 3.5 million tons, is not likely to become a net exporter of food in 1954. There has also been some improvement in soya beans and in local production of potatoes, in spite of attacks of potato infestation early in the crop year.

With the import of over 100,000 tons of relief grain during the year, some high-quality rice may become available for export. Difficulties, however, in obtaining satisfactory premiums for quality from Japan in 1953/54, and serious shortages of rural warehouses appear to have led to consumption by farmers of rice that could have been exported. It is feared that prematurely high consumption standards may weaken incentives to further development and aggravate the political difficulties of exporting rice in future. There are plans for overcoming the warehouse shortage in 1954/55.

Increased *coal* supplies have been postulated in the five-year plan. Output however has not yet regained the million tons a year achieved in 1949, while total supplies are barely half the 3 million tons needed for South Korea's development.

Three UNKRA projects to provide technical assistance, capital and equipment to the coal industry have not, so far, succeeded in raising the expected 1954 output above that of 1953. The National Assembly fixed a selling price for the government-controlled Daihan Coal Company's output at a level below the present cost of production. Hence, new inflationary bank credits have had to be negotiated for every increase in production. Moreover, South Korea's transport system was never designed to carry coal to local markets, and this has caused serious transport difficulties.

South Korea's minerals are at present its principal earners of foreign exchange and were 87 per cent, by value, of total exports in 1953. The chief mineral export is *tungsten*, production of which increased satisfactorily up to March 1954 under a stock-piling contract arranged through a United States firm on very favourable terms. Upon the completion of the contract at the end of March, the Korean tungsten market collapsed. Since April some tungsten has been bought by the Government of the Republic of Korea, but it has not been possible to find alternative markets with prices comparable to those paid by the United States.

Copper ore production was at a lower rate in the first six months of 1954 than in 1953. *Graphite* also fell back, until the middle of the year, owing to market difficulties. *Manganese* expanded its production in the middle of the year through the conclusion of favourable contracts with Japan, but was also hampered earlier in the year by market difficulties.

Gold output, which is mostly consumed locally, has expanded more than that of any other metal during the current year, and there has also been satisfactory expansion in the output of *iron ore*. Clearly, however, the mining industry has been prevented mainly by inflationary strains and a cost-price squeeze from making any serious contribution to the expansion of output.

The continuing inflationary pressure has also hampered South Korea's *industrial production* during 1954. The chief difficulties have been lack of credit and power shortages. Banks and other financial institutions are unable to make loans at rates of interest above the legal maximum of 20 per cent per annum. In view of the rate of increase of prices, this is not an effective interest rate, and a portion of the limited funds available tend to be diverted into speculative buying of commodities. The Reconstruction Bank (a state-owned bank) was established and opened for business in April 1954, taking over a part of assets and liabilities of the former Industrial Bank which was liquidated. The main purpose of this bank is to place financial control of industries under the government, through making of term loans to industries.

Production of several industrial products, including rubber shoes, bricks, pottery and cigarettes was actually lower in the opening months of 1954 than in the corresponding period of 1953. In textiles similar difficulties have been encountered, but the great increase in capacity during the year has resulted in a moderate increase in output. The pre-1950 capacity of 235,000 spindles had been regained by June 1954 and it was expected to reach 400,000 by the end of the year. Productivity per man, however, is lower than before the second world war, partly as a result of inadequate supervision.

There have also been significant delays in developing local production of building materials. While some increase in the output of the existing cement plant has been achieved, breakdowns and delays have reduced this increase below what was expected. Moreover, delay in implementing UNKRA's programmes has deferred by at least many months the completion of a plant for producing window glass locally. In August 1954 a contract was finally signed for the building of this factory.

Industrial investment and housing

Since sale of investment goods almost always includes an inflationary element of local currency expenditure, the only aid goods that can help to mop up inflation are, in general, raw materials and consumption goods. The government on the other hand normally presses for more investment goods than foreign aid agencies feel should be supplied.

The progress of reconstruction has, however, been held up, partly by difficulties in making available the local currency funds to pay for the local labour and material on investment projects. In housing, for example, where the deficiency is estimated at between 600,000 and 1 million houses,[1] delays have occurred, both as a result of shortage of local funds and because of delay in the implementation of UNKRA's programme. During late 1953 and the early months of 1954, it was at last possible to begin producing rammed-earth houses which economize timber and other scarce materials, by using South African machines and local machines made on the same model. It was hoped that 4,300 houses would be produced in 1954 under the UNKRA programme for 1953/54, but by September materials had arrived for only about 2,000. The main achievements in housing, however, are those of the Korean Civil Assistance Command which had produced 6,500 houses in the first eight months of 1954.

Arrival of aid goods and withdrawal of United Nations forces

The second main anti-inflationary weapon was to be a substantial increase in the arrival of aid goods. The $200 million allocation through FOA might have materially increased the 1954 supply of those goods. However, the actual arrival of goods was delayed by the change in the technique of authorization and procurement by the United States Government and by other reasons.

In the end the actual arrival of goods by 30 June 1954 out of the $200 million totalled only $33.5 million, though the whole sum had then been committed. The total flow of aid goods from all sources at about $11 million per month was at a lower rate for the first five months of 1954 than for either 1953 or 1952.

Disappointing performance in both production and import of aid goods drastically limits the resources available to prevent inflation. The withdrawal of most of the United Nations forces from the Korean theatre removed an important invisible export from the South Korean balance of payments. Insofar as the services formerly supplied to the United Nations Command are no longer required, there will be a fall in income corresponding to the fall in foreign exchange and no inflationary effect need therefore arise. In some measure, however, the services will now have to be supplied to Korean forces.

A minor factor operating to reduce inflation may be the reduction in the circulation of US military payment certificates. These are issued to American military forces for use in military establishments, but the comparative ease of spending them and their stability in relation to the dollar have made them an auxiliary currency, sometimes used by the Korean people themselves. A contraction in the circulation of this currency may have a moderately deflationary effect.

1. The difference between the two estimates apparently depends on the treatment of population growth, which is largely ignored in the lower estimate.

The 1954/55 budget

We must next enquire how far fiscal and monetary policy was able to counteract the inflationary pressures. The budget of the Republic of Korea is not a fully adequate instrument for financial planning of the economy. A number of items are excluded from the budget proper and supplementary expenditures are incurred comparatively freely. The 1954/55 budget was originally presented for a fifteen-month period, since 1954 witnessed a change from the financial year 1 April/31 March to the year 1 July/30 June. The current year therefore runs from 1 April 1954 to 30 June 1955.

The tax structure remains comparatively little changed from 1953/54 to 1054/55; the chief development being an anticipated increase in the yield of income tax, probably mainly due to expectation of improved collections, but also influenced by the effect of inflation on money incomes. The yield of income tax has been affected by several changes in the incidence of taxation on business, designed to encourage re-investment,[2] which were introduced in March 1954.

The budget showed separately the general budget, war budget, and a consolidated picture of the special accounts. The intention was to transfer, in effect, the net surplus of H 8,200 million from special accounts to the general account and over H 19,400 million from general revenues to the war expenses account[3] after balancing the general account from taxes and other revenues. The war expenses account, however, was to exceed this amount transferred by nearly H 52,000 million, and this was to be met partly by the sale of H 3,000 million of national bonds and partly from the counterpart fund derived from the sale of foreign aid goods. At the time of presentation of this budget, it was widely believed that H 49,000 million of aid represented an unduly optimistic estimate and that therefore the budget would be moderately inflationary. Since April, the estimates of the amount needed under the war expenses account have been increased. It has also become apparent that the transfers from special account will fall short of the estimates, because the National Assembly has not allowed the planned rise in prices of some of the government monopolies, and the supply of aid goods has fallen short of expectations. By July there had not only been a substantial increase of the currency, but the estimates of the supply of aid goods required had been increased from H 49,000 million for 15 months to over H 50,000 million for 12 months. Even with this increase an expansion of over H 13,000 million in the currency supply is envisaged during the remaining 12 months of the financial year.

Increases in money supply

The acceptance of a major increase in the money supply as a probability, even on optimistic assumptions about aid goods arrivals, is the more serious because the currency has already been expanding at a rate greatly in excess of the expansion of output. Chart 41 shows the course of inflation in the economy of South Korea over the past few years and makes it apparent that expectations of continued inflation must, by now, be strongly entrenched and will be difficult to overcome.

2. A proportionate rate was substituted for a sliding scale in corporation income tax; depreciation allowances were increased; concessions were made on business incomes due to inflations; and further concessions to those voluntarily declaring tax obligations.

3. The transfer from general account to war expenses account (H 27,600 million) exceeds the net transfer from special accounts to general account by H 19,400 million.

Chart 41

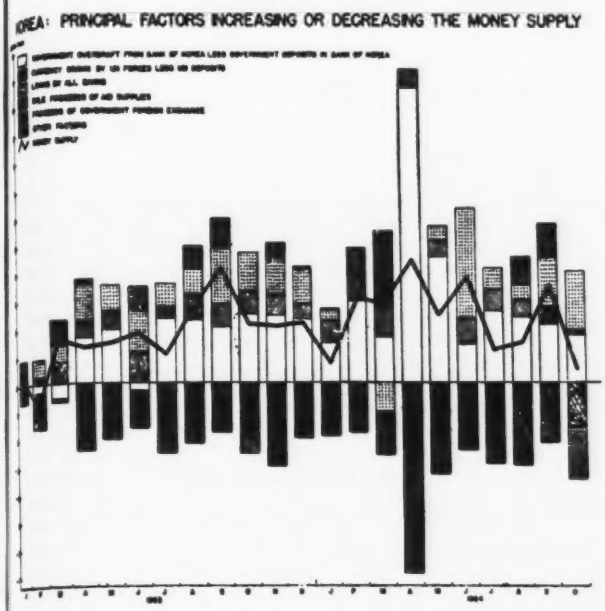
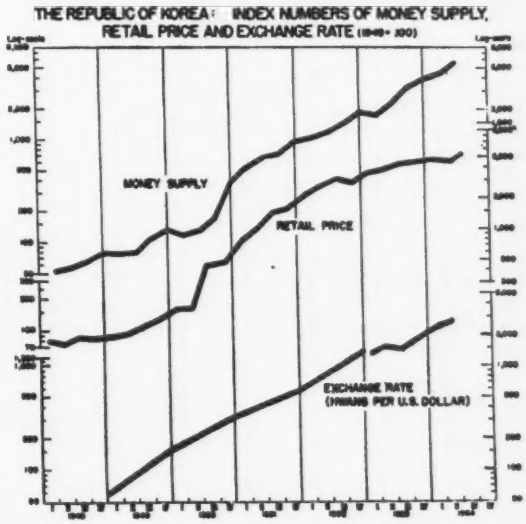


Chart 42



It is a particularly unfortunate fact that the beneficial psychological effect of the currency reform of February 1953, followed by the armistice, has not been sustained and that inflation, both in the latter half of 1953 and since the first quarter of 1954, appears again to have taken hold of the Korean economy. The initial impact of the currency reform was successful, but under the constitution the details had to be put before the National Assembly, which granted such liberal conditions for unblocking blocked funds that the effect was largely nullified.[1]

For a decade there have been relatively few periods when prices have not been rising sharply and exchanges declining. The price level has not followed exactly the expansion of the monetary supply; in particular during the early months of 1954, a considerable expansion of the monetary supply took place with much more limited increases and even some decreases in price levels. This was probably due to increased agricultural productivity and comparatively large imports of aid goods at the end of 1953. There was also a strong psychological expectation that conditions would improve after the armistice which appears to have led to a reduction of hoarding of goods and of the speed of money circulation. Disappointment of expectations later in the year, combined with increasing nervousness to reverse this process and to lead to a rapid rise in prices and decline in the value of the currency, while the supply of money was increasing hardly more rapidly than before, resulted in further rises in prices.

Chart 41 gives a break-down of the different factors which have increased or reduced the supply of money since early 1953. This shows the important role of government overdrafts with the Bank of Korea as the principal source of inflation. The sum of the overdrafts during the first six months of 1954 actually exceeded the total increase in the money supply. A part of these increases was due to borrowing on the grain management account, some at least of which should be seasonal in character. The major part, however, has been debt incurred on account of the war budget. Other features of the chart are the comparatively small scale of the proceeds of aid goods in relation to the amount of the inflation and the fact that the proceeds of government foreign exchange, mainly derived from payment for currency drawn by United Nations forces, have greatly exceeded the amount of that currency. Reasons for this are partly repayments made for past uncompensated issues of local currency to United Nations forces, and partly differences in the rates of exchange at which the hwan were sold and bought back.

Private credit by banks was sharply restricted during the early months of the year; but this had probably been an aggravating rather than a relieving factor because its adverse effect on production had probably been more serious than any likely aggravation of direct inflationary pressures. Figures showing the break-down of the increase in money supply after June are not at present available, but it is believed that psychological factors have aggravated the rise in prices and in foreign exchange rates during these months.

On the whole, the greater part of the year 1954 has been a period of disappointment. One of the reasons for this is that it has been found impossible, for lack of funds, to implement anything like the original UNKRA programme. The delay in obtaining these funds from member States has had far-reaching consequences because the curtailment of the UNKRA programme has produced serious planning difficulties and there have been unavoidable delays in building up the FOA programme to replace it. As a result, renewed inflationary pressures have hampered both mining and industrial production and the psychological advantage of the post-armistice period has been lost.

1. The open market exchange rate rose sharply from 215 hwan to the dollar in February 1953 to 711 hwan to the dollar in December 1954. Effective from June 1954 a special foreign exchange rate is to be applied to hwan transactions with and loans to the United States in accordance with the American-Korean Aid Agreement signed in November 1954: 254 hwan to the dollar for the period from June to August and 310 hwan to the dollar for the period from September to November, and a new rate to be decided by negotiations for the period after November 1954.

Chapter 16. MALAYA AND BRITISH BORNEO

Both geography and history have made the economies of Malaya and British Borneo heavily dependent on external factors. Having been developed largely by overseas enterprise catering for export markets, the economies show a high degree of specialization in a few export commodities which constitute the major portion of the total exports. For the Federation of Malaya and Singapore the proportion of the gross national product contributed by export and value added on the re-export trade was on the average 35.5 per cent during 1947-50. Further, all the territories depend on imports for a part of their food supplies, and this is one of the factors which bring occasional pressure on foreign exchange resources.

Except for Singapore, the territories are sparsely populated. Though the present rate of natural increase is quite high, there is some immigration in all the territories to meet the need for certain types of labour; the age structure is such that the required labour supply is not always provided, and skilled labour is scarce. For the Borneo territories immigration will be necessary for some time, though it is bound to be regulated and selective.

Exploitation of natural resources, but for rubber and tin, can be carried much farther. In agriculture, the practice of bush-fallow cultivation, though confined to newly opened up areas, reduces the use of available cultivable land, involving abandonment of land for as long as 10-12 years, after only 2 years' use. In North Borneo during 1953 only about 2,500 sq km (3.3 per cent of the total area) were cultivated and 8,500 sq km (11 per cent of the total area) had more or less to be left fallow. This applies to Sarawak also but is not, however, a major problem in Malaya.

Insufficiency of domestic capital resources is a hindrance to economic development. In the Federation of Malaya, North Borneo and Sarawak, the United Kingdom Colonial Development and Welfare Fund and the inflow of funds from foreign investors offset to a limited extent the deficiency of domestic capital.

While the governments regard all the territories as essentially free enterprise economies, there has been increased direction of economic affairs in all of them since the war.[1] A large part of the activities of the governments in all territories has been directed to overcoming the two main defects of their economy, namely excessive dependence on a narrow range of products and inadequate local food supplies. Post-war scarcity of food supplies and dependence on food imports brought about State trading in food and imposition of food control in all the territories. Now although food control is only retained as an operational measure in disturbed areas, the Government of the Federation of Malaya still sells about 30 per cent of the total rice consumed. Rail transport is operated under direct control of the governments, while road transport and most of the air transport in Malaya are operated under a system of licences. Singapore has import quotas in respect of Japanese textiles and cement, and restrictions governing the expenditure of dollars. In the Federation of Malaya, licensing applies to imports from North and Central America, while cement and textiles from Japan and rice from southeast Asian countries outside the sterling area are subject to quotas. Long range plans have been made in all the territories and attempts are now made to influence the development of private enterprise in many different ways. On the other hand, there is no central bank in the territories and the currency is on a sterling exchange standard. No specific control is exercised over credit apart from the controls needed to link the value of the currency to sterling.[2] There are also generally no central planning secretariats, the planning organs being different in different territories and exercising rather limited functions of co-ordination. There are however notable planning developments.

DEVELOPMENT PLANNING AND FINANCING

War-time destruction and the subsequent need for reconstruction brought in different development schemes and plans. The first fillip was given by the United Kingdom Colonial Development and Welfare Act of 1945, which alloted a sum of £5 million for a ten-year period ending March 1956 for development and welfare in the Federation of Malaya and Singapore, and a sum of £2.5 for North Borneo. While the plans in Singapore have been conceived chiefly to improve the standard of living and provide public services which have hitherto been lacking, those in other territories have been directed toward the fundamental aims of diversifying the economy and increasing the food production. It is recognized that transfer of factors of production from the main foreign exchange earners might lead to a temporary decline in national income. As there have been some differences in emphasis corresponding to the differences between the five territories, the plans are not integrated into a single co-ordinated plan.

In the *Federation of Malaya* plans are based on the original draft development plan for 1950-55 which was prepared by a special committee set up in 1947. The implementation of the development plan was delayed by the emergency which began in 1948. When the Colombo Plan was drawn up, the Federation's development plan was projected forward on the same basis of calculation to the six-year period 1951-57, together with certain other additional items of capital expenditure. Of this additional capital expenditure amounting to M$ 169 million, M$ 122 million was for education, housing, electricity, ports, and railway (rehabilitation), M$ 47 million

1. "... no country can afford to neglect its higher strategy of planning, and rely solely on a tactical approach to its problems as a means of solving thm, with all the duplication of effort, one-sided development and waste of irreplaceable resources which such an approach may well involve" (*Draft Development Plan of the Federation of Malaya*, 1950, p.128).

2. A newly constituted Board of Commissioners of Currency covering the Federation of Malaya, Singapore, North Borneo, Sarawak and Brunei was established in 1952. The Board issues dollars in the territories against sterling deposits in London at fixed rates and maintains over 100 per cent reserve in sterling securities. Profits in a Currency Surplus Fund are distributed by agreement to the five governments concerned.

related to rural areas, and M$ 7 million was for rehabilitation of war-damage. The Rural and Industrial Development Authority (RIDA), the Central Electricity Board and the Malayan Railway were brought within the scope of the plan and more provision was made for electricity supply and railway development. A sharp rise in the cost of labour during the Korean war boom and also the addition of new schemes necessitated by the emergency, have raised the cost of development from M$214 million estimated in 1949 to M$856 million estimated in 1952. In 1954 an economic survey team of the International Bank for Reconstruction and Development visited the Federation and the government is awaiting their report.

The progress made in the Federation on the 546 schemes under the Plan is not discouraging. By the end of 1952, 213 schemes were started and 65 completed, while in 1953 76 schemes were completed. In spite of the emergency and the increase of cost the progress of the Plan has been well maintained. In addition, the RIDA (on which the 1953 Ordinance conferred considerable powers) provided training facilities in domestic science, mechanized farming, industrial crafts, commerce and accounting, and village leadership. It gives loans to farmers, businessmen and fishermen to improve their trades and crafts, and to small communities to carry out schemes for improved local amenities, such as roads and water supplies. The Central Electricity Board carried on a series of power projects in the Federation, of which Connaught Bridge Power Station is the major one. The monthly average of electricity production of the Board during the first half of 1954 increased to about 24.5 million kWh, as compared to 21.9 million kWh in the first half of 1953—a rise of about 12 per cent.

The development plans prepared by *Singapore* have laid more emphasis on port development, building, public utilities and social services, because of the dependence of the Colony on trade and industry for its economic prosperity. In addition to the Government, there are three principal agencies responsible for these developments, the City Council, the Singapore Harbour Board and the Singapore Improvement Trust. The City Council is responsible for public utilities, the Harbour Board for port facilities and the Improvement Trust for low-cost housing and industrial sites. Co-ordination of development planning is done by a division of the Government Secretariat in Singapore. The City Council—the authority for generation and distribution of electric power—started a new power station at Pasir Panjang, costing about M$93 million, of which Nos. 1 and 2 turbo-alternators (of 25,000 kW each) were completed in 1953, and two more turbo-alternators of the same capacity are expected to be completed in 1954. Two more alternators will be installed in 1955, completing the total of 150,000 kW. On completion of this project, Singapore will have no power problems for many years.

Work on the new international airport is due to be completed in 1955, and a substantial housing programme has also recorded progress. For example, for housing its employees, the City Council up to 1953 spent M$10.3 million and the government M$16.5 million. The Improvement Trust spent M$53 million on cheap housing construction for the public. Heavy expenditure on housing by these authorities continued in 1954 and is planned to continue in 1955 and subsequent years.

The government itself has undertaken no industrial development except that both the Singapore Improvement Trust and the Colonial Development Corporation have helped in laying out industrial estates. In earlier years, the bottlenecks in development had been shortages of either supervisory and planning staff or materials. In the last two years the limiting factor appears to have been the lack of qualified supervisory and planning staff, and to some extent of skilled labour.

In *Sarawak*, 1954 has marked the announcement of a revised Development Plan covering the period 1955 to 1960. This plan (Sarawak's third),[1] which covers an expenditure of M$99.4 million, incorporates unspent balances of schemes included in the 1951-57 plan and is carried forward to 1960. Of the proposed development expenditure, 54 per cent will be incurred on the improvement of communications which is the principal need in Sarawak; social services, especially medical and educational services, are also very greatly expanded.[2] A good deal of attention has been devoted to diversification of the economy, particularly the development of pepper and timber production. Moreover, part of the expenditure on teachers' training, rural improvement training and travelling dispensaries previously included under development expenditure has been transferred from the Development Plan to the annually recurrent expenditure, so that the Plan actually understates the full amount of expansion. Even so, the total expenditure under the new Plan is nearly one-third greater than the total expenditure so far incurred on development in the period 1947-54.

In *North Borneo*, the problem of developing communications is almost as great as in Sarawak but, in addition, North Borneo has a special problem of rehabilitating buildings and capital equipment destroyed during the second world war. Not only was the extent of the destruction particularly great in North Borneo, but the effect has been more serious than elsewhere in the area, because of North Borneo's shortage of labour and consequent great difficulties in achieving reconstruction. Recently North Borneo's difficulties have secured greater recognition and with assistance, not only under the Colombo Plan, but also from the World Health Organization and the Foreign Operations Administration of the United States, and substantial progress has at last been achieved. Actual expenditure on reconstruction and development in 1953 were M$12.5 million and the expenditure for 1954 according to revised estimates was M$19 million. A substantial proportion of this has been spent on rehabilitating damaged buildings and other capital equipment and in 1954 attention is concentrated on re-equipping port facilities at Jesselton, Sandakan and Labuan, air, rail and road services, and communications. There are also pilot projects for investigating potential new rice areas and additional work on fish culture and drainage and irrigation schemes.

Brunei's Five-Year Development Plan covering 1954-58 is being prepared by a Development Committee appointed by the Sultan in Council. The Plan will include a system of social insurance with pensions and allowances for old age and various categories of physical handicap. Plans for improvement of roads and development of ports and aerodromes, irrigation and waterworks, and attempts to diversify the economy, partly by developing the rubber industry and opening up new areas for cultivation, are to be included. In addition, an expansion of educational facilities is projected,

1. A Seven-Year Plan of Development (partly retrospective) for the years 1947/48 to 1953/54 was approved in 1950; it was revised to take account of increased costs and resources, and of the machinery of the Colombo Plan, in the Revised Development Plan (1951-57).

2. The figure for education is more than twice as great, and the figure for medical and health services about three times as great as that in the 1947/48—1953/54 plan.

both within Brunei[1] and overseas (by the award of scholarships). The main responsibility for the development of Brunei's principal resource, namely its large oil reserve, both on land and under the sea, rests with the companies which have mining leases over the oil producing areas.

Financing of development and capital formation

Funds are available for financing of government developmental expenditure from four different sources. First, there is the United Kingdom Colonial Development and Welfare Fund which is intended for schemes that are not directly productive of revenue. Second, the Colonial Development Corporation supplies funds which are expected to earn a direct return. Third, loans either local or external can be raised by governments themselves.[2] Finally, development can be financed out of revenue; and governments have taken care to ensure that commitments for annually recurrent expenditure are not undertaken as a result of Development Plans beyond what can be financed from anticipated annual revenues.

Total funds allotted from the Colonial Development and Welfare Fund for the territories amount to M$100 million of which about M$25 million are likely to be available in 1954.

United Kingdom assistance to the *Federation of Malaya* for rehabilitation and development in 1954 includes an interest-free loan of approximately M$52.5 million to the War Damage Fund, a grant of approximately M$51.5 million towards the cost of the emergency and an estimated contribution of approximately M$6.75 million towards equipment and camps for units of the Federation military forces.

Three loans have been obtained from the Colonial Development Corporation: (1) M$30.7 million redeemable in 1960 at 4 per cent, (2) M$25.1 million redeemable in 1962 at 4.75 per cent, and (3) M$4.8 million redeemable in 1960 at 4.75 per cent. All these loans have been given to the Central Electricity Board for the construction of Connaught Bridge Power Station.

In 1954 the Federation raised M$60 million locally out of the M$100 million authorized under the 1951 Loan Ordinance, leaving M$40 million still to be raised. M$34.3 million was raised in London out of M$55 million authorized by the Loan Ordinance of 1953, leaving M$20.7 million to be raised later. The loan of M$40 million offered by Brunei has been accepted, but not yet taken up. Pending the raising of further loans, some development expenditure is financed by advances covered by the issue of Treasury Bills and Treasury deposits. The M$100 million from the 1952 Security Loan Ordinance and the M$30 million loan from Singapore (received in 1954) were to meet budget deficits.

There are no reliable figures of private capital available for investment but the inflow from abroad, in the absence of any discrimination against foreign capital, has been substantial. Local sources include the undistributed profits of companies (very large profits were earned in the Korean-war boom, in rubber and tin). Foreign sources include the United Kingdom, Hong Kong (spinning mill and other factories, rubber estates) and Australia (boot-polish factory). It has been estimated that the Federation of Malaya drew on external resources for capital formation in the public sector amounting to M$14.4 million in 1952 and M$24.2 million in 1953 and the anticiipated figure for 1954 was M$21 million. Roughly, it is estimated that total net capital formation amounts to 8 to 10 per cent of the national income.

A loan of M$6.5 million was also made by the State of *Brunei* in 1954 to North Borneo. In *Sarawak*, the Development Plan is to be financed as follows: from the Colony's existing Development, Welfare and Reconstruction Fund's balance, M$3.3 million; from approved territorial allocations and expected allocations from Central Funds of the Colonial Development and Welfare Fund, M$11.8 million; from the share of the Colony's surplus balances, to be transferred to Development, M$24.8 million; from loans to be raised against economically productive expenditure, M$27.5 million (this excludes an advance of M$3.2 million already made in 1954 against projected loans); from annual revenue, M$18 million; leaving a deficit of M$14 million. It is hoped that further external assistance will be received in the way of increased Colonial Development and Welfare Fund.

PRODUCTION

Federation of Malaya

Measures undertaken for the improvement of Malaya's agriculture such as irrigation, drainage and land reclamation contributed to the increase in acreage under paddy. In the rubber industry, replanting with high-yielding rubber continued. With regard to tin, the signing of an international agreement had led to a hardening of the price of tin from which Malaya benefited as a main producer. Tin production rose appreciably in 1954 setting a post-war record. Considerable progress was made in planning the development of the iron-ore mines at Ulu Rompin and Temangen. The year also witnessed some increase in power production.

By the middle of 1954, irrigation facilities had been improved on over 80,000 hectares of existing paddy-land. The target for the entire period 1950-55 is 120,000 hectares. Also approximately 16,000 hectares of jungle land have been opened up and developed. These efforts have helped to continue the trend since 1952/53 towards increased acreage under paddy. The yield in 1953/54 was, however, less than in the previous year due to bad weather, etc. But stocks of rice purchased at high prices increased from 105,000 tons at the beginning of 1953 to 147,000 tons at the beginning of 1954. This together with the decline in offtake in spite of the reduction of prices on a number of occasions led the government to curtail drastically the rice imports on commercial accounts.

Since 1952, the amount of government rice rationed to consumers of all categories was 3½ katis per week until March 1954 when it was increased to 5 katis for an adult male, 4 katis for an adult female and 3½ katis for a child. It should, however, be noted that there has never been a restriction (except as a security measure to prevent foodstuffs reaching insurgent territories) on consumption of rice other than subsidised government imports of rice which amount to only 30 per cent of the total supply of rice. Moreover, free-market rice was always available to supplement the ration of government rice. The easier food supply situation finally led to the abolition of the rationing (except as a security measure) of government rice in August 1954.

1. The local plan is to include the extension of the facilities of the oil company's training school to government nominees, so as to increase the local supply of skilled labour.

2. The Government of the Federation of Malaya has raised much of the loans on irrigation, roads, housing and water supply projects.

The desire of the government and the industry to co-operate in obtaining an impartial investigation into certain aspects of the competitive position of the *rubber* industry led to the appointmnt, early in 1954, of a committee, under the chairmanship of Sir Francis Mudie. The report makes important recommendations, particularly concerning taxation and the financing of replanting. Substantial contributions to replanting are being made from rubber cess funds, though it seems unlikely that the target of 20,000 hectares for small holders in 1954 will be reached. In 1953, only 8,000 hectares of small holdings were replanted since it was the first year of the small holders' replanting scheme and efforts had to be concentrated on building up an efficient federation-wide organization to implement the scheme. Approximately one-third of the acreage of estates has now been replanted with high yielding rubber. However, as it takes 5-7 years for a rubber tree to come into production, the output in 1953 did not increase but actually declined owing partly to the declining yield of old trees still being tapped. Rubber production for the period January-November 1954 was 8,000 tons more than in the corresponding period of the previous year. Exports also showed a slight increase.

Production of *copra*, *palm oil* and *pineapples* (on the basis of canned fruit) in the first nine months of 1954 all showed increases over the corresponding months of 1953. Between the same periods the export of palm oil showed a small increase while that of copra declined by a small amount.

An agreement to regulate the marketing of *tin* came into force at the end of June 1954. Mining companies were not aware of the period that could be used as a base of assessing quotas under the International Tin Agreement, and did their best to keep up production to qualify for a high quota. Exports increased as a result of the expanded production and improved prices. Monthly averages of exports and production for the first nine months of 1954 were 8-9 per cent above the corresponding period of 1953. There was an increase in the number of tin mines worked from 629 in 1953 to 674 in June 1954, in addition to prospecting in some parts of Selangor.

Production of Malayan *iron ore* increased slightly from a monthly average of 98,000 tons in January-September 1953 to a monthly average of 107,000 tons in the corresponding period of 1954, with a proportional increase in exports by 8 per cent. An agreement is now under negotiation between Japanese and Commonwealth interests for production and export of iron or from Kelantan.

Manufacturing employs about 8 per cent of the working population in the Federation of Malaya. It covers mainly rubber industries, oil mills, tin smelting and food processing. The Rural and Industrial Development Authority is financing and initiating rural and urban industries, as well as training personnel. The projects initiated and assisted by the Authority over a very wide range of activities include mechanized cultivation, poultry and fish rearing, copra drying, oil and rice milling, boat building, small industries, housing, electricity and water supplies.

Singapore

In Singapore, the return to more normal conditions in the recorded entrepot trade after the short-lived Korean war boom is accompanied by industrial expansion; power production and manufacturing activity have increased during the year, and attempts have been continued to improve the level of technical education. Food has been derationed, as in the Federation of Malaya.

Singapore's entrepot trade with Indonesia has been declining seriously during the last few years, due partly to exchange regulations[1] introduced by Indonesia and partly to bilateral trade agreements entered into by Indonesia, which by-passed Singapore. Singapore's recorded exports to Indonesia declined continuously from M$401 million in 1952 to M$215 million in 1953 and M$61 million for the first half of 1954. However, the decline in imports from Indonesia was partly arrested in 1954, though the total imports were much lower than in 1952.

There has been an active interest in the development of industry in Singapore to provide employmnt for the rapidly increasing population and offset some of the effects of the decline in entrepot trade. A number of new faciories have been established, for example, for the manufacture of soft drinks, shoe polish and various chemicals. A textile mill with a capacity of 10,000 spindles established during the last two years is now working three shifts and a number of factories are being developed on an industrial estate laid out by the Colonial Development Corporations.

There is also some anxiety to increase the supply of skilled labour with a view to industrialization. Singapore has a satisfactory system of primary education but technical training facilities are short, particularly because, before the war, most of Singapore's artisans were immigrants. Therefore, the Government has engaged an expert on technical education and has also recently decided to set up a Polytechnic Institute.

The output data give a clear indication of industrial growth in Malaya (*i.e.* the Federation of Malaya and Singapore). In Malaya, average monthly production of rubber sheeting and foot-wear increased from 174,000 lb and 983,000 pairs in 1953 to 246,000 lb and 1,098,000 pairs for the first eight months of 1954—increases of about 12 per cent and 11 per cent respectively. Coconut oil and soap production increased for the same period from 8,000 tons and 1,885 tons to 11,000 tons and 2,090 tons—increases by 39 per cent and 11 per cent respectively. Amongst food processing industries, production of tinned pineapple increased during the first half of 1954.

Sarawak

The output of the petroleum refineries, which provided 70 per cent of Sarawak's exports in 1951 and 1952, remained unchanged. The oil refined is won in the State of Brunei and pumped to the refineries in Sarawak.

In Sarawak the year 1954 has been chiefly one of agricultural development as well as expansion of social services. The government-administered Rubber Fund has bought a former Japanese estate of some 1,600 hectares at Samarahan for use in the production of planting material of high-yielding stock, in demonstration of new techniques of rubber growing, and for technical training. An area of 20,000 hectares is also being opened up between the Sadong and Samarahan rivers for rice cultivation.

As a result of the adoption of more scientific techniques the output and export of pepper have been expanding rapidly. Exports of pepper in 1954 totalled 15,000 tons compared with

1. *Infra*, chapter 18 on Indonesia.

9,000 tons in 1953. There has also been a very great increase in the export of timber during the last three years. Exports in 1954 were no less than the 156,000 tons exported in 1953.

At the end of 1953, the Government decided to buy out the shares in the Sarawak Electricity Supply Company Limited previously held by a private company by payment of M$1.3 million. Further expenditure of M$2.5 million has been incurred on the development of electricity supplies.

North Borneo

In North Borneo, the year 1954 has been significant chiefly for further considerable development of the output of timber, export of which is likely to exceed substantially the 1953 figure, which itself represented a 50 per cent increase over the previous year. The government has also put forward a plan for land reclamation and irrigation, under which some 56,000 hectares are expected to be reclaimed and 18,000 hectares irrigated by the end of 1954. Rubber replanting and other measures to improve output will be financed by a cess administered by the Rubber Fund Board.[1] Rubber cones are obtained from the Rubber Research Institute of Malaya. A local British Rubber Producers' Association co-operates in this development work.

Brunei

In Brunei, an important development, apart from the preparation of a Five-Year Plan (1954-58) and the inter-governmental loans already mentioned, is the further extensive development of undersea oil which promises to extend Brunei's already very considerable oil reserves. The annual rate of petroleum production in Brunei was about the same during the first six months of 1954 as in 1953.

BALANCE OF PAYMENTS, PUBLIC FINANCE AND PRICES

Trade and payments

The adverse balance of trade for Malaya in 1953 continued in 1954 though at a lower level.[2] Both imports and exports declined, the former relatively more than the latter. On the import side, there was an appreciable reduction in the volume of rice imports. On the export side, there was a further decline of rubber prices. The surplus on invisible transactions in 1954 showed a small increase. Accordingly, the balance of payments deficit for Malaya in 1954 was considerably reduced. North Borneo also showed an adverse balance of trade whilst Brunei and Sarawak again achieved trade surpluses although they were less than before.

Chart 43

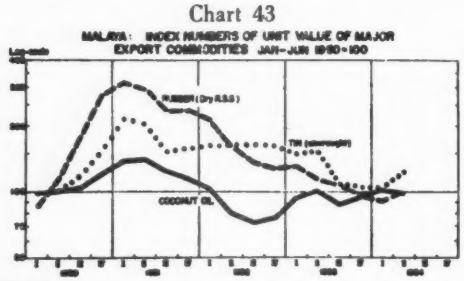


Chart 44

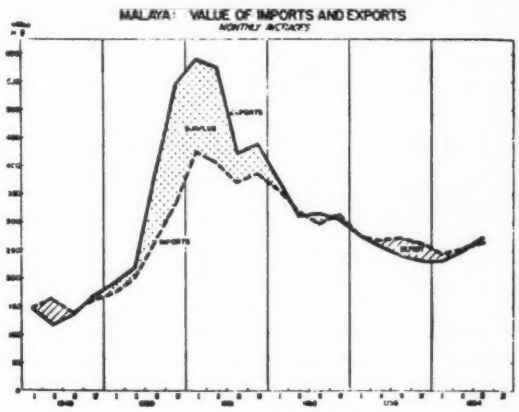
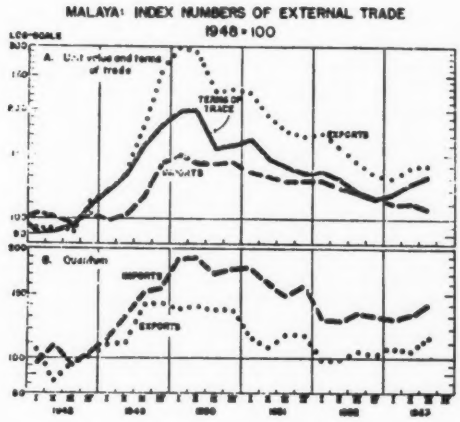


Chart 45



In general, the trade deficits have emerged mainly on account of a decline in the value of exports of rubber from Malaya and North Borneo, following the sharp fall in price during 1952-53.

The average monthly trade deficit for *Malaya* during the first half of 1954 fell to M$7.4 million from M$18.1 million in 1953, owing to an increase in the value of exports of coconut oil, palm oil, tinned pineapple, tin, iron and bauxite.[3] Despite the fall in the unit value of imports (1948=100) from 120 for 1953 to 110, the decline in unit value of exports from 133 for 1953 to 120 maintained the deficit, though at a lower level, for the first half of 1954.

In *North Borneo*, the value of rubber exports fell to M$23.3 million in 1953 from M$86.2 million in 1951, and the decline continued during the first half of 1954. Increased exports of timber, cutch and hemp were partially offset by a 7 per cent fall in the volume of rubber exports from 1,400 tons per month in 1953 to 1,300 tons per month in 1954.

1. Established in 1950 this Board represents both estates and smal holdings; the chairman is the Director of Agriculture.
2. 1954 figures are based on estimates in the Consultative Committee for Co-operative Development in South and South-East Asia, *Third Annual Report, 1954*.
3. The rise for the first half-year in the monthly export value of coconut oil for Singapore and Malaya was respectively 150 per cent and 80 per cent of 1953. Rise in iron exports was about 120 per cent for the same period over 1953 monthly average.

Sarawak and Brunei again achieved trade surpluses, though these were lower than before. The chief reasons for the decline in the surplus were the fall in Sarawak's rubber exports (from M$159 million in 1951 to M$32 million in 1953) and Brunei's increased imports of metals and manufactures and vehicles, mainly as a result of new developments in the oil-fields. The increase in the volume and value of exports of pepper and timber from Sarawak helped to arrest a further decline in the trade surplus, which otherwise might have turned into a deficit.

The fall in the proportion of exports going to rubber for almost every territory between 1951 and 1954 has been accompanied by increasing proportion of exports going to coconut oil, palm oil, iron and tinned pineapple in Malaya; timber and pepper in Sarawak; and timber, cutch and hemp in North Borneo. Amongst the trading partners, the serious loss of trade with Indonesia has already been discussed. The decline in the share of other Asian countries is mainly due to the falling imports of food cereals from Burma and Thailand; and the levy in June 1954 of a heavy import duty on betelnuts from India, as well as a fall in textile imports from India due to Singapore's loss of the Indonesian market. The United Kingdom, Japan, Australia, Italy, the Netherlands and West Germany increased their share in Malaya's trade.

Public Finance

In the *Federation of Malaya* as revenue is largely dependent on world prices of rubber and tin, the low prices in 1954 for these products caused a decline in its total. In the meantime, efforts to bring the emergency to an end while still maintaining the social services has prevented any reduction in expenditure.

To assist the government the United Kingdom contributed a sum of approximately M$ 51.5 million and the government of Singapore made the interest free loan of M$ 30 million already referred to. After allowing for this assistance the balance of the deficit will be met from surpluses accumulated in previous years.

In *Singapore*, a substantial budget surplus in 1953 is expected to turn into a deficit in 1954.[1] The change is due partly to a decline of about M$ 30 million in income tax and partly to a large increase in expenditures. Significant increases, owing to extra staff and equipment being available, are noted in expenditures on the acquisition of land, non-recurrent public works, education and medical services. The anticipated decline in receipts from income tax may be interpreted as a return to more normal conditions, as the unusually large collections in 1953 were due to a part received on account of the Federation but transferred in 1954 and another part being a windfall due to decisions being eventually finalized on some big assessments which had been pending from earlier years. It is probable that some of the administrative obstacles to accelerated development expenditure will now have been overcome, but it would be optimistic to suppose that all the estimated expenditures could be incurred in 1954. Hence although a small deficit may perhaps emerge, it is unlikely to be as large as was anticipated, particularly as increased incomes from trade in 1954 are likely to increase the yield of some of the customs and excise duties.

In *Sarawak* a small surplus is expected, estimated revenue having fallen and expenditure having increased as compared with actual revenue and expenditure for 1953. The surplus realized in 1953 was much larger than that estimated. The fall in revenue is wholly explained by a fall in export duties, mainly on rubber. Expenditure on public works has increased but has been more than offset by a reduced contribution to the Development Fund.

In *North Borneo* the combined budget for current and development revenue and expenditure shows a small deficit. Export revenues showed a fall compared with the original estimate for 1953 as well as with revised estimate for that year. Expenditure on development has increased, owing to increased aid, while the contribution from current revenue to development has declined.

Prices

The cost of living indices for labourers in the Federation of Malaya fell from 121 and 115 in December 1953 (January 1947=100) to 111 and 107 in August 1954 for Indians and Chinese respectively; for Malays the index (January 1949 = 100) fell from 132 in December 1953 to 123 in August 1954. Moreover, most of the components have also fallen, and hardly any has risen. Retail prices have fallen not only for rice, but for meat, vegetables, fruit, etc. A fall in wages as a result of the lower prices of export commodities should also be noted.

Wholesale prices in Singapore have declined mainly as a result of external influences, rather than because of any local monetary factors. In Malaya[2] the expansion of demand deposits by M$32 million in the first six months of 1954 more than offset a decline of M$29 million in the active note circulation in the same period, especially as the December note circulation figure included some expansion for seasonal reasons. The gross note circulation has remained almost unchanged, though the banks have transferred some M$6 million to Malaya by reducing their overseas balances. The banks have also increased their advances to primary production and other industry by about M$21 million in the first six months.

Though regular monthly figures of wages are not published, money wages in the major industries[3] and in government service have been maintained or, in some instances, increased, so that real incomes have probably increased considerably. At a cost of some loss of its reserves, and with substantial aid from abroad, Malaya appears to have kept its economy reasonably fully employed, so that low incomes in the rubber and tin industries have not caused any general stagnation.

The inflationary impact of the budget deficit in the Federation of Malaya in 1953 was offset by the trade deficit, the receipt of grants, the improved food supply position, the existing slack in the economy and the high level of savings in the private sector. Aggregate deposits in the banks decreased and the active note circulation changed very little. The estimated budget deficit for 1954 was larger but the

1. While the budget for 1953 expected a deficit, the eventual large surplus was due to revenue being much better, and expenditure being much less than the estimate. About a third of the savings were revoted in the 1954 budget.

2. The analysis of monetary influences in Malaya and the British Borneo territories is complicated by the fact that the currency figures are given for the whole area, the banking and trade figures for the Federation of Malaya and it is not possible either to aggregate or to break up the figures to give a wholly consistent picture for any area. The term Malaya is used here, as in the official statistics, to refer to the Federation of Malaya and Singapore taken together.

3. Money wages in the rubber industry are related to the price of rubber, and have therefore followed to some extent the fluctuations of rubber price.

potentially inflationary effect of the budget deficit may be less than the estimates suggested, since it is not improbable that the whole of the estimated budget expenditure may not actually be spent.

The comparative absence of inflationary impacts in 1954 again suggests a high level of saving. An increase in real incomes, resulting from constant or rising money incomes and falling prices, may have accentuated the tendency to save in 1954. Apart from large compulsory savings in the rubber cess funds and the Employees Provident Fund (a compulsory savings scheme for wage earners in the Federation of Malaya, with equal contributions by employers, in which the excess of contributions over withdrawals in 1953 was M$56.8 million), savings accounts in banks and in the post office increased in the aggregate by M$38 million in 1953 and by M$18.1 million in the first six months of 1954. Successful flotation of loans by the Federation Government and the Singapore City Council also indicates a substantial volume of saving. This is at least a mitigating factor in considering the size of the budget deficits which have not, in 1954, stimulated excessive consumption.

CONCLUSION

The improvement in the food situation which is partly due to improved local production seems likely to be maintained. The decline in the prices of tin and rubber has at least for the present been reversed. In regard to the longer run problems, however, the situation is rather less satisfactory. The diversification of the economy of the territories has increased through the development of agricultural crops other than rubber and improving prospects in production of minerals other than tin. The manufacturing developments both in the Federation of Malaya and in Singapore also supplement the other resources of the economy. Nevertheless, the economies of these two territories remain heavily dependent on rubber and tin on the one hand and on entrepot trade on the other. The rate of population increase is likely to be a serious menace in the immediate future, especially as Malaya's supplies of capital are limited; and in Singapore where the problem is more urgent there is no prospect of the rate of population growth declining during the next few years. Singapore's long-range plan in town planning may relieve for a substantial number of years the problem of housing, though not of employment arising from population pressure. In the Borneo territories long-range problems of development seem unlikely to be easily solved.

Chapter 17. NEPAL

RESOURCES

Relative to its resources, Nepal is one of the most underdeveloped areas of the region. With a population estimated at around 8 million, the country extends nearly 140,000 square kilometres, of which one half is under forests, one fourth cultivated or cultivable, and the rest either Alpine meadows or under perpetual snows. Forests consist of about 48 per cent sal, 44 per cent oaks, and 8 per cent conifers, anl still remain hardly developed.[1] Except for the Himalayan region, all lands of Nepal, comprising some 77,700 square kilometres, have been aerially surveyed. But the first round of geological and petrological survey is only now being carried out by Swiss experts provided by the United Nations Technical Assistance Administration and also by a team of geologists deputed by the Government of India. Among other things, hematite iron ore deposits were recently discovered in Godawarim, only 8 kilometres from the capital. Deposits of mica, beryl, manganese, copper, cobalt and lead are also reported in different parts of Nepal.

The country today is mainly agricultural, with 1.5 million hectares under paddy, and is self-sufficient in foodgrains. However, approximately 80 per cent of the cultivated land is under tenancy and the problem of land reform has of late come to the fore. The government appointed the Land Reform Commission in 1952, setting down as primary policy objectives the control of exorbitant rentals and the security of tenure. The Commission submitted its preliminary recommendations in 1953; it proposed *inter alia*: (*a*) the preparation of a land record detailing the terms of tenancy; (*b*) the abolition of non-official intermediary system in the collection of land tax; and (c) the security of tenure for cultivating tenants subject to the right of landowners to resume possession of a limited area of land for personal cultivation (6 hectares for the Tarai area and 2 hectares for the hills including Kathmandu valley).

Besides having vast areas of undeveloped cultivable waste land bordering the foothills in the Tarai, Nepal is ideally placed for development of dairy farming and also possesses vast potentialities in water power. Nepal has immense potentialities in the development of horticulture, as the climatic conditions of the country make it possible to grow tropical, sub-tropical and alpine types of fruits.

DEVELOPMENTAL PROJECTS

Developmental projects, assisted by a number of foreign countries, are making slow progress on various fronts. The total cost of projects under way amounts to some Rs[2] 64 million, of which Rs 18 million have been spent up to June 1954. This is a rate of expenditure *per capita* of roughly one-tenth of that under India's Five-Year Plan. Furthermore, sources of funds are largely external, India bearing a major part, followed by the United States. In most cases, external assistance is tied to a specific project and there does not seem to be sufficient over-all co-ordination.

Thus far, irrigation and road construction have received the greatest emphasis. An agreement on minor irrigation and water supply projects was signed between the governments of India and Nepal on 14 July 1954, setting down a grant of Rs 5 million to be spent in four years to meet not only the cost of materials and equipment but also the hire of labour and compensation to be paid for any land required for projects. Another agreement between the two governments on the Kosi Project was signed on 25 April 1954, laying down the terms of international co-operation in controlling the Kosi river which flows southward from Nepal into India. The project envisages the possibility of irrigating 81,000 hectares of land in Nepal besides generating 20,000 kW capacity of electricity, half of which will be available to Nepal. Meanwhile, the irrigation survey of the Rapti valley has been completed with American assistance, with a view to irrigating 12,000 hectares of land, at a cost of Rs 1.75 million.

The programme of road construction is also proceeding with external aid. Tribhuvan Raj Path, 130 km long, connecting the capital to the road leading to the Indian frontier, is expected to become motorable in all weathers within a year or two under a grant of Rs 15 million from the Government of India. A number of strips of roads, however, are now under construction at the country's own expense; the Nepalese army is often employed for the purpose, as on the road from Pokhara to Kuncha. In view of the mountainous character of the country, the government is laying stress on the development of air transport and is now concentrating on building permanent airstrips with India's financial aid, looking toward the incorporation of the government-owned Air Nepal in the near future.

Other major developmental schemes include: (*a*) the Trisuli Power Project for generation of electric power (10,000 kW) at the cost of Rs 30 million, to be wholly financed by the Government of India; (*b*) a 1,688 kW thermal power plant to serve the needs of Kathmandu; (*c*) the survey and development of forest resources, with assistance from India; and (*d*) the establishment of a cement factory. These are at varying stages of implementation at the present time.

Education is still limited to a small propertion of the people, the literacy rate being estimated at around 3 per cent. As developmental works progress, the lack of trained personnel is felt most acutely, and various training projects are under way with assistance from the United States. Nepal has been successfully experimenting in agricultural extension methods. Six development centres have so far been established in different parts of the country through which such activities as the dessimination of modern methods and techniques of agriculture, the distribution of improved seeds and implements, and the improvement of village sanitation are being conducted. Two training centres have been opened where village leaders

1. With half the forest area of Nepal, the State of Uttar Pradesh in India produces ten times its forest revenue.

2. Rupee figures given in this chapter are in Indian rupees unless otherwise specified. See *infra*, section on "The monetary situation" for the relation between the Nepali and Indian currencies.

are given training in extension principles. Arrangements are under way to open one training centre for village girls in extension methods in home economics. To meet the present shortage of technicians Nepal is sending a sizeable number of young men to India and other foreign countries to receive higher training in various technical subjects. An engineering school to produce engineers and overseers locally has also been recently established.

CURRENT SITUATION AND POLICIES

The monetary situation

The internal monetary situation in Nepal is inextricably tied to the exchange position of the country in a peculiar way inasmuch as both the Nepali and Indian rupees circulate in the country and its foreign trade is conducted mainly with India. The Nepali rupee, more commonly called 'mohur', circulates mainly within the valley of Kathmandu and the hilly regions, whereas the Indian rupee circulates freely in the Tarai and other parts, and is accepted as legal tender, constituting the medium for the bulk of the government revenue.

Under the old feudalistic rule it was customary for the ruling class, who resided permanently in Kathmandu, to bring their surplus income from the Tarai to spend or for them to sell precious stones and metals to meet their expenses, thus balancing the commodity trade deficit of the mohur-circulation area. After the overthrow of the old rule in 1951, this balance was broken since many members of the old ruling class left the country. Added to this were the coincidental decline in remittances to their families in Kathmandu by Nepali nationals serving in the army or in other capacities in India and other parts of the world, and also a change from surpluses to deficits in the government budgets. This conjuncture resulted in the weakening of the mohur against the Indian rupee. Whereas the rate of exchange towards the end of 1950 was around 110 mohurs to 100 rupees, it started to suffer violent fluctuations after the interim cabinet was set up by King Tribhuvan in February 1951 and in general continued to decline. Finally in September 1952, when the open market rate stood at 145 mohurs to 100 rupees, the government announced the fixing of the rate at 128 to 100, undertaking to supply Indian rupees at this rate only to importers.

This measure, however, did not stop the depreciating trend of the mohur. The open market rate remained at around 145-150 to 100 until March 1953, depreciated further to 160 to 100 by June 1953, 170 to 100 a year later, and finally in the autumn of 1954 the pace of depreciation accelerated to touch the rate of 175 to 100. Thus in early December 1954 a measure similar to that of September 1952 was again taken by the government. For importers of essential articles the government proposed to supply Indian rupees at the rate of 150 (Nepali) to 100 (Indian), and for other purposes at the rate of 175 to 100. Twenty types of articles, such as motor cars, liquors, etc., were banned for importation.

The depreciation of the mohur against the rupee in the open market is, no doubt, indicative of the price movements in the Kathmandu valley as well as of its trade deficit against other parts of the country and India. But at the same time the role of speculators cannot be discounted. For it is reported that in the midst of the depreciation crisis of the mohur in September 1954 the mohur suddenly would become unavailable at any price and cause a most wild fluctuation from day to day. The volume of the mohur in circulation has never been officially ascertained, but one estimate[1] places it at nearly Nep. Rs 100 million, which, if roughly correct, is uncommonly small relatively to the total population of 8 million or the estimated export of the country of Rs 270 million. Until the country's currency is unified it will be difficult to assess the monetary situation of the country on the basis of the mohur rate of exchange against the Indian rupee alone.

Trade

No accurate statistics of trade are available for Nepal. Varying estimates[2] exist, but it seems to be generally agreed that Nepal usually has surplus in commodity trade, which now appears to be offset by the flight of capital to India.

Nepal's trade is mainly with India, and it is possible to gain a rough idea of the general trend of its trade from the Indian statistics[3] obtained at railway stations adjacent to Nepal, Tibet, Sikkim and Bhutan. For raw jute and oilseeds, Nepal's exports to India are separately given and reveal that the exports of raw jute have been steadily declining in quantity since 1951/52 whereas those of oilseeds jumped in 1952/53 to almost 4 times those of the previous year, and then declined slightly in 1953/54. Among other commodities which are recorded to have crossed the frontier into India from these areas, rice and pulses seem in 1953/54 to have maintained the level of 1952/53, while hides and skins, wool tops, and ghee showed a declining trend. As for the goods which went northward from India, in which Nepal's share is known to be predominant, there is a definite declining trend from 1951/52 to 1953/54, notably in salt, cotton piecegoods and grain and pulses. For betelnuts, brass and copper, figures are separately given for Nepal's imports from India and also show a distinct decline in 1952/53 from the previous year and the continuation of the same low level in 1953/54.

Public finance

Since the advent of the new government in Nepal in 1951, the customary figure of government current deficit has been about Rs 10 million each year. But in 1953/54 it is estimated that the deficit on revenue account was as large as Rs 25 million, apparently caused by a 40 per cent increase in the cost of general civil administration and a 15 per cent increase in defence expenditures over the previous year. For 1954/55, it is estimated that the current revenue will remain at the same level as in the previous year at around Rs 40 million while expenditures will amount to Rs 60.5 million. The government is now seriously thinking of introducing a system of income tax and new tariff schedules, and increasing land revenues and postal and telegraph charges. A scheme to reorganize civil administration is also under consideration, while a scheme whereby the government employees will be required to save compulsorily a part of their earnings has already been formulated.

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1. Pant, Y.P., "Crisis of the Nepali Rupee", in *The Economic Weekly*, 11 September 1954, p.1070.
2. For example, Mr. Y.P. Pant states that "Nepal's annual exports are conventionally estimated at Rs 270 million and imports at only Rs 110 million". (*op.cit.*, p.1071). The figure of Rs 234 million is given as "Nepal's total foreign trade" in 1952 by Mr. R.C. Malhotra, *Government Economic Policy for Nepal*, Syracuse University, 1954, p.5.
3. The statistics relate to 12 months from April to March for each year mentioned. Source: *The Indian Trade Journal*, 9 October 1954.

Chapter 18. PAKISTAN

Pakistan, with an area of 948,000 sq km, has a population of 76 million (1951 census) and an average density of population of 80 per sq km. East Pakistan, with a total population of 42 million and an average density of 298 persons per sq km, suffers from over-population; it is the principal export earner but recently has had food deficits met by imports from West Pakistan. Although six-sevenths of the population are illiterate, educational facilities are meagre—in 1952/53 there were only 40,000 primary schools, 6,500 middle and high schools, and about 25 technical training institutes.[1]

The Planning Board appointed in 1953 is at present engaged in a survey of the country's resources. In 1948, out of a total reported area of 48 million hectares,[2] 25 million hectares were under cultivation, 9 million hectares classified as land available for cultivation, 2 million hectares under forests, and the remaining 12 million hectares not available for cultivation. More effective use could be made of the land now sown to crops, in view of the small area which is double cropped.

The great distance between East and West Pakistan has made transport and communication difficult but Karachi and Dacca are connected by domestic air lines. The dependence on cotton and jute for about four-fifths of the foreign exchange receipts from exports since 1950/51 has caused instability of export income arising from price fluctuations, and has made the implementation of development programmes difficult. In 1948/49 about 70 per cent of the national income was derived from agriculture and less than 1 per cent from industry and mining.

At its inception Pakistan was confronted with many problems, including lack of industries, inadequate financial institutions, and an influx of millions of refugees within half a year of partition.[3] With the establishment of new industries by the government or with its help, Pakistan's dependence on imported consumer goods has diminished. By 1953, about half of all bank deposits, and also of all loans made by banks, were accounted for by Pakistani banks, established with the help of the State Bank of Pakistan. The government has estabilshed a Refugee Rehabilitation Finance Corporation[4] and a Housing Finance Corporation and created satellite towns for the urban refugees.[5] The rural refugee population, the influx of which is still continuing though at a much reduced rate, has yet to be settled permanently.

DEVELOPMENT AND PRODUCTION

Development planning

In 1948, the Development Board was established to approve and co-ordinate individual development schemes. By the end of 1950, it had approved 112 schemes costing Rs 1,125 million. The six-year plan (1951-57), the first over-all plan, calls for an estimated outlay of Rs 2,600 million. The annual rate of expenditure was to rise from Rs 335 million in 1951/52 to Rs 480 million in 1953/54, and to decline somewhat in subsequent years. Average annual investment under the plan would form only 2.5 per cent of the national income.

The largest part of the proposed expenditure was for agriculture (32 per cent), followed by transport and communications (20 per cent), fuel and power (18 per cent), industry and mining (19 per cent) and social capital (11 per cent). The much higher share allocated to industry in Pakistan than in most other Colombo Plan countries indicated the government's desire for industrialization.

The estimates on developmental outlay had to be revised upwards when financial resources and costs both increased in the wake of the Korea-war boom. A "two-year priority" plan (1951-1953) was drawn up costing Rs 507 million for 29 schemes, many of which were not included in the original six-year plan; its major emphasis was on industry and mining (48 per cent), transport and communications (25 per cent) and fuel and power (25 per cent), with only a small expenditure on agriculture.

The subsequent fall in exchange earnings and reserves, and the food shortage, led to a new emphasis in 1952 on short-term schemes to raise grain production. The Five-Year Food Plan adopted in July 1952 aimed at raising production of food grains by 3.2 million tons. Village aid programmes also included better agricultural practices to increase food production.

The original six-year plan and some of the revised, higher targets have been fulfilled; in the first three years of the plan (1951/52-1954/55) the central and provincial governments' developmental outlay of Rs 3,207 million has exceeded the original proposed outlay of Rs 2,600 million for six years.[6] It is estimated[7] that because of population increase,

1. See *Report of the Economic Appraisal Committee* (November 1952, published by the Ministry of Economic Affairs, Karachi), p.123.

2. The area not reported is another 45 million hectares. It should be noted that land classified as "available for cultivation" is not necessarily cultivable. This terminology, which is also used in other countries such as Burma and India, denotes a residual category arrived at by subtracting from the total area the land accounted for by other categories. The extent of land actually cultivable can be determined only by special surveys.

3. In the 1951 census, 7.2 million people or 9.4 per cent of the total were classified as refugees. There was also a substantial exodus of population. Pakistan's refugee problem has been particularlly severe because of the much high proportion of unskilled workers among the refugees entering the country.

4. In 1953/54, the Corporation advanced Rs 2 million in loans, distributed about Rs 500,000 worth of sewing machines and set up a blanket factory at a camp in Sind to give employment to refugees.

5. It is estimated that 2.5 million urban refugees have been settled and that about 0.5 million remain to be settled.

6. The developmental outlay at constant prices has also probably exceeded the original proposed outlay.

7. Mr. Mohammad Ali's (Finance Minister) address on "Some economic problems of Pakistan" to the staff and students of Karachi University on 24 July 1954, in *Pakistan News Digest*. 1 August 1954. (published by the Press Information Department, Government of Pakistan, Karachi).

an annual investment of Rs 600 million is needed to prevent the *per capita* income of Rs 250 from falling. In 1953/54 central and provincial governments' developmental expenditure was Rs 902 million and in 1954/55 it is expected to rise to Rs 1,142 million. However it is quite possible, because of the serious decline in agricultural output and the natural growth of population, that in 1952 and 1953 there was a decline in per capita income. The standard of living probably fell more because of the larger share taken by investment which was in turn a result of decline in private consumption due to shortages of consumer goods (foodgrains and imported manufactured goods).

The 1957 targets fixed in the six-year plan for the production of raw jute (1.2 million tons) and cotton (270,000 tons) had been exceeded by 1952/53. The 6,000 looms target for jute textiles will be achieved by early 1955, a year ahead of schedule. The rapid increase in industrial production between 1950 and 1953 was mainly due to the government's planned investment. In July 1953 a Planning Board was set up to make a detailed survey of the resources of the country and to draw up an integrated five-year plan. Private investment has also increased during the first three years as a result of the liberal tax concessions granted by the government. Tax concessions given in respect of income from housing have encouraged building of houses.

Bottlenecks in the implementation of the plan include shortage of skilled personnel, delays in the supply of capital goods in 1951 and over-all shortage of foreign exchange in 1952-1954. Training centres and polytechnic institutes have been established to improve the low level of skills. During the Korean-war boom foreign exchange resources were available for development but full advantage could not be taken of the fact mainly because of delays in the supply of capital goods.[1] In the last quarter of 1952 the Open General Licence system was abolished and restrictions were placed on imports in order to reduce the drain on the foreign exchange resources which followed the collapse of the boom.

In spite of falling foreign exchange reserves the government decided to go ahead with the development programme. The restriction of consumer goods imports encouraged investment in consumer goods industries while the stocks of consumer goods imported during the Open General License period were sufficient to meet most of the domestic requirements till late 1953. In 1954, the increase of domestic output of certain manufactured consumer goods has made it possible to [illegible] some saving of foreign exchange for financing capital goods imports. Foreign reserves are still insufficient to meet the needs of the development programme, and the government's policy is to accept as much foreign aid as possible. For 1954/55 it will obtain from the United States Government a grant of $110 million, including aid for flood relief and of consumer goods as compared with $25 million of economic aid in the previous year.

Food production

In 1954, Pakistan recovered from the food shortage of the previous two years and even had an estimated exportable surplus of 250,000 tons of rice.[2] Both the area under food grains and their production in 1953/54 were much larger than in 1952/53 because of favourable weather conditions and government measures such as supplying adequate quantities of seeds, encouraging the use of fertilizers,[3] affording plant protection, restricting the area under jute, reducing land taxes and charging lower water rates on food crops. In 1953, the Central Grow-More-Food Emergency Committee sanctioned 147 local short-term schemes costing Rs 33 million, which added 400,000 hectares out of the total increase of 1.4 million hectares to the area under food grains and 400,000 tons out of the total increase of 2.7 million tons to the output.

With the easier food position, several food distribution controls were rescinded or relaxed during 1954. The fall in prices of foodgrains which began in 1953 continued in 1954. The wholesale price of rice (medium quality) in Dacca in the third quarter of 1954 averaged Rs 376 per ton as compared with Rs 633 per ton in the third quarter of 1952 and Rs 525 per ton in the third quarter of 1953. With an exportable surplus in rice, the government in the third quarter of 1954 signed an agreement with the Philippines for the immediate delivery to the latter of 30,000 tons of rice.

The government decided to maintain a standing reserve of 0.5 million tons of wheat, beginning with the 1954/55 "rabi" crop,[4] to safeguard supplies in any future crop failures, and sanctioned many schemes for constructing additional storage capacity (up to 328,000 tons of grain) during 1954/5[5]

1. Reserve funds were established for development purposes from out of surplus reserve which accrued to government during the Korean war boom period.
2. The surplus will probably turn out to be much smaller because of the disastrous floods in late 1954 in East Pakistan.
3. In 1953, the government obtained 140,000 tons of fertilizers through the United States Foreign Operations Administration (FOA) as well as by direct purchase. These were supplied to agriculturists at subsidized rates of one-half to one-third of the cost.
4. Spring crop.
5. Up to the middle of 1953, the capacity for foodgrain storage was only 90,000 tons. On 20 April 1954, an agreement was signed whereby the United States would provide $1.5 million towards constructing three storage silos each with a 10,000-ton capacity.

TABLE 50

PAKISTAN: AREA AND YIELD OF PRINCIPAL CEREALS

	Area ('000 hectares)			Production ('000 tons)		
	1952/53	1953/54	1953/54 increase over 1952/53	1952/53	1953/54	1953/54 increase over 1952/53
Rice (cleaned)	9,314	9,928	614	8,147	9,151	1,004
Wheat	3,860	4,310	450	2,388	3,683	1,295
Bajra (millets)	901	1,046	145	270	455	185
Barley	211	248	37	112	156	44
Jowar (Sorghum)	506	609	103	208	280	72
Maize	393	432	39	375	437	62
	15,185	16,573	1,388	11,500	14,162	2,662

Good progress continues to be made in irrigation and drainage development. Many projects are well advanced, especially the Thal project, the Taunsa Barrage and the Tube Well projects in the Punjab. Other projects include the Ketri Barrage in the Sind, and the Warsak and Kurram Gari and the Tank Gomarl projects in the North-West Fontier Province.

Industrial and mineral production

Since 1950, industrial and mineral production has increased rapidly. The import restrictions on consumer goods in late 1952 afforded protection to the domestic industry (producing textiles and other manufactured goods). The government was fully aware of the cost of industrialization which would have the effect of temporarily lowering the standard of living through price increases and inflation.

The government's direct investment and its stimulation of private investment have also been useful. The Pakistan Industrial Development Corporation has been used by the government for direct investment and the Pakistan Industrial Finance Corporation for promotion of private investment in industry. Liberal tax concessions to private industry and the Pakistan Industrial Development Corporation's policy of starting new factories and handing them over to private enterprise have encouraged private investments; in 1953/54 a number of capital issues were over-subscribed, for example the shares of the Karnafulli Paper Mills and of the Adamjee Mills; the total capital issues sanctioned during the first quarter of 1954 were Rs 86 million, as compared with Rs 39 million in the same period of 1953. Total industrial investment in 1953 was almost equal to that in the whole previous five years. The Tariff Commission, however, has given protection to only a limited number of industries; in 1953/54 these were sodium silicaté, locks, steel castings, wire netting, leather and foot-wear, umbrellas and vermicelli.

The growth of private investment, a most welcome development in recent years, may not be maintained at the same rate unless the government's developmental expenditures continue to increase. The high profits being made by industrialists have so far provided little incentive to reduced costs and improved efficiency. In due course, however, the government will probably wish to examine the question whether the indigenous industries could increase their productive efficiency to a stage where they would be able to compete with foreign manufactured goods, should the latter be allowed to be imported freely.

For foreign industrial investment it was announced[1] in October 1954 that the government would guarantee foreign investors the right to repatriate capital and remit profits to the country of origin, and also to hold the major portion of shares; although in the basic policy, originally adopted in 1948, Pakistan nationals were to be given the option to subscribe at least 51 per cent of the capital and the government allowed the remittance of a reasonable proportion of profits according to the availability of foreign exchange. Negotiations were also already under way to avoid double taxation.

Pakistan suffers from shortage of *fuel and power*, which has often caused industrial production to increase more slowly than capacity. Both electricity and coal are imported from India. With large domestic production, imports of electricity from India declined from 75 million kWh in 1950 to an annual rate of 19 million kWh in 1953 and in the first quarter of 1954. The value of coal imports from India also declined from Rs 7.7 million in 1952/53 to about Rs 1 million in 1954. When the Sui gas project and the petroleum project materialize, the country will have additional sources of power. The Sui gas project is jointly financed by the government, foreign and domestic private enterprise and by the International Bank for Reconstruction and Development, which in 1954 gave a £5 million loan[2] to the Sui Gas Transmission Company Limited for a natural-gas transmission line from Sui to Karachi. This line is expected to be completed by May 1955 and the supply of gas to industrial consumers to begin in August 1955.

In September 1954, an agreement was reached between the government and the Standard Vacuum Oil Company for prospecting crude oil. The government's share of the cost will be 25 per cent, while the company will provide 75 per cent and the technical know-how. The government has agreed to invest funds as required up to a maximum of $15 million.

In *cotton and jute textiles* abundant supplies of raw material and a large domestic market have encouraged expansion of both capacity and output. By early 1954 the cotton textile capacity was 793,000 spindles and 12,000 looms as against 410,000 spindles and 7,000 looms a year earlier. With the installation of the spindles and looms already arrived and on order, the country will be self-sufficient in the coarse and medium varieties of cotton cloth by the middle of 1955. Imports of cotton piece-goods, cotton twist and yarn declined sharply in 1953 with the rapid increase in domestic production; imports in the first half of 1954 were at an annual rate of only Rs 60 million, as compared with Rs 550 million in 1951.

In jute manufacture, the country is not only self-sufficient, but is exporting. During the trade year 1953/54 it exported Rs 14 million worth of jute goods excluding jute twist and yarn. The installation of factory capacities is more than a year ahead of the schedule of the six-year plan. By early 1955 the installed looms will be raised to 6,000, while by the end of 1955 or early 1956 they will be increased to 10,000.[3]

Production of *cement* increased by 11 per cent in both 1953 and 1954 as compared with previous years because of larger capacity. In 1954, there were four cement factories. The Pakistan Industrial Development Corporation is setting up two more factories with annual capacities of 100,000 tons and 120,000 tons respectively, while a private concern intends to set up a plant with a capacity of 600 tons a day. These factories will raise the capacity of the cement industry to one million tons per year. The Karnafulli *paper* mill, operated by the Pakistan Industrial Development Corporation, came into production in October 1953 using 75 per cent indigenous pulp; it was expected to reach full production of 100 tons a day by the end of 1954; with this mill producing adequate quantities of the main varieties of paper, the government decontrolled the distribution of many items of paper and boards, effective 1 September 1954.

1. Statement by the Prime Minister, Mr. Mohamad Ali, before the Far East American Council of Commerce and Industry in New York in October 1954. Reported in *Pakistan News Digest*, 1 November 1954.

2. The loan, which is for 20 years at 4½ per cent interest, is guaranteed by the Government of Pakistan. Three private British banks have agreed to participate to the extent of £645,000 without any guarantee by the International Bank for Reconstruction and Development.

3. Statement by Mr. Ghulam Faruque, Chairman of the Pakistan Industrial Development Corporation, at a press conference in Dacca on 21 July 1954. Reported in *Pakistan News Digest*, 1 August 1954.

Other projects include the 50,000-ton ammonium sulphate plant which is under construction and expected to start producing in the middle 1956; an up-to-date naval graving dock and fitting-out berth completed in late 1954; and the wires and cables plant for which most of the equipment arrived in 1954.

Transport

Transport development has included work on ports, railways, roads and civil aviation. Except for Karachi, the major ports of the Indo-Pakistan sub-continent were in India and Pakistan. In East Pakistan the port facilities were wholly inadequate, as the only Port of Chittagone was too small to handle the export trade. The handling capacity of the Port has been expanded from half a million tons to 2 million tons per year. A sum of Rs 90.5 million has been invested for the development of the Port. The development expenditure for the Port continues to be incurred and against the provision of Rs 16.1 million made during 1953/54, a provision of Rs 25.7 million was made during 1954/55. A scheme for making a new port at Chalna in Khulna district (East Bengal) is well under way, and a scheme for developing the Karachi port has been sanctioned.

Since the beginning of the second world war, deferred maintenance and increased traffic on the railways had worn out the equipment which needed replacement. The rehabilitation programme for the six years (1951/52-1956/57) had been revised upwards to Rs 164 million, towards which the International Bank for Reconstruction and Development gave a loan of $27 million in 1951/52.

Roads are the responsibility of the provinces but the central government's policy is to stimulate road development by financial allocations from the Central Road Fund,[1] by development loans and by grants. In 1953/54 about Rs 9 million were allocated as against Rs .4 million in 1952/53. Allocations since 1949 have totalled Rs 28 million. A special fund of Rs 50 million was also created by the central government to assist the provincial and state governments in the construction and improvement of roads of national importance.

Central government expenditure on aviation will increase from Rs 9.0 million in 1953/54 (revised estimate) to Rs 10.5 million in 1954/55 (budget estimate). The existing aerodromes have been developed and Karachi can now take the heaviest type of aircraft. Dacca airport is being developed to international standards and several international airlines are already operating at this aerodrome. An aerodrome has been opened at Jessore, while Nawabshah (Sind) has been developed as a diversionary airport for Karachi and is equipped with night-flying facilities.

Government's expenditure in 1953/54 on the establishment of the Pakistan International Airlines Corporation amounted to Rs 20 million. A capital expenditure of Rs 4 million is budgeted for 1954/55. The Corporation, which will run a fast and direct air service between Karachi and Dacca and also take up international services, is expected to commence operations shortly.

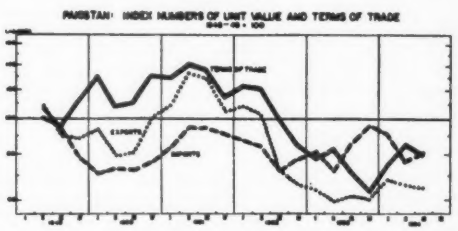
1. The Central Road Fund, created in 1949, is financed out of a share of the excise and customs duty on petrol. The fund's share of the duty was doubled from 2½ annas to 5 annas per gallon in April 1953.

TRADE AND PAYMENTS

After the Korean-war boom collapsed the balance-of payments surplus of 1950/51 was replaced by large deficits in the following two years. In 1953/54 rigorous control of imports succeeded in reducing the payments deficit from Rs 408 million in the previous year to Rs 28 million in spite of the further reduction of exports. This smaller deficit, however, conceals a substantial deterioration towards the end of the trade year (July to June); from April to June 1954 the deficit was Rs 98 million. The over-all deficit for the year was financed by drawing upon gold and foreign exchange reserves which declined from Rs 669 million in June 1953 to Rs 631 million in June 1954.

With imports already reduced, the balance-of-payments position will continue to be serious unless export earnings increase significantly. The rise in export prices of jute and cotton in early 1954 was not maintained in the second quarter. Tea prices continued to increase in 1954, but tea is relatively unimportant among Pakistan's exports. The deterioration in the terms of trade since mid-1951 continued till the end of 1953. Judging by the export price index, and by prices of selected imports, the terms of trade in the first half of 1954 may have been slightly better than in 1953. However, the trade surplus in the first half of 1954 was 45 per cent less than that in the first half of 1953.

Chart 46



Exports

Export earnings depend mainly on cotton and jute and to a lesser degree on wool, hides and skins, and tea. The price index of exports stopped falling in mid-1953 and began to rise in early 1954 because of better cotton, jute and tea prices. But export earnings in the first half of 1954 were still 21 per cent below those a year before.

To promote exports, the government had by 1954 placed 207 items on the Open General License export list including many manufactured articles, such as surgical rubber goods, electric fans, cement tiles and steel furniture. New trade agreements were negotiated and a number of old ones renewed, for example, the trade agreement between Pakistan and Italy, originally valid from 1 July 1953 to 30 June 1954, was extended until December 1954. The 1953 trade agreement with France for an annual total trade of Rs 200 million was renewed for 18 months till June 1955. The trade agreement with Japan, signed in September 1954, provides for a trade of £28 million worth of goods each way. Pakistan will export cotton, jute, hides and skins, cotton linters, rock salt, etc. in exchange for cotton textiles, iron and steel, non-ferrous metal, chemicals and other manufactures from Japan.

As an additional stimulus, an export incentive scheme was introduced for the period 29 June 1954 to 31 March 1955; exporters of specified commodities could obtain import licences for certain essential items up to 30 per cent of the foreign exchange earnings from such exports. In October, the scheme was enlarged by adding more items to both the export and the import lists.

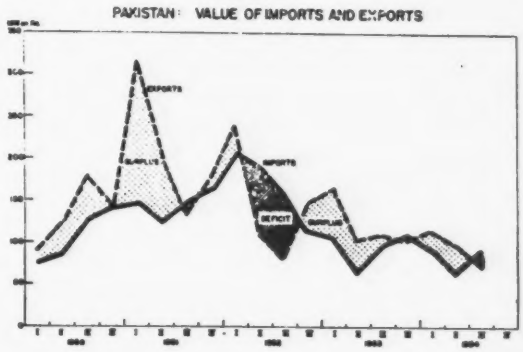
The collapse of the Korean-war boom had left the country with burdensome surpluses of both raw cotton and raw jute. According to the supplementary forecast, *raw cotton* output fell from 314,000 tons in 1952/53 to 252,000 tons in 1953/54, as the grow-more-food campaign and the rapid fluctuations in cotton prices during 1952/53 had reduced the area under the crop by about 16 per cent. The volume of cotton export in 1953/54 was much smaller than in the previous year, but the large consumption by the domestic textile industry and the lower output helped to reduce carry-over stocks which at the end of the cotton year 1953/54 were 49,000 tons as compared with 87,000 tons in 1952/53.[1] Pakistan's cotton position is thus relatively strong; but large surplus stocks in the United States and the danger of surplus disposal measures affecting Pakistan's markets, for example in Japan, may give cause for some anxiety.

According to the final forecast, output of *raw jute* declined from 1.2 million tons in 1952/53 to 447,000 tons in 1953/54, on account of the government's policy of rigidly controlling the area under jute while encouraging the growing of food crops; the area under jute in 1953/54 was 60 per cent below that of the previous year. The volume of raw jute export in 1953/54 fell much less than production, so that most of the exports were from stock. Consequently the carry-over stock of 218,000 tons at the end of 1953/54 was much lower than that of 470,000 tons at the end of 1952/53. The final estimate for the area under jute in 1954/55 at 465,000 hectares is much larger than the final forecast of 308,000 hectares for 1953/54. However the floods in East Bengal have seriously affected the production of raw jute. Official estimate of current production is 490,000 tons against 454,000-635,000 tons reported for the previous year. Increased consumption needs of Pakistan and keener demand are factors that might lend strength to raw jute prices, but much will depend on the actual size of the 1954/55 crop, as also the demand for jute goods. Improved rice production may increase the demand for gunny bags, but against this is the possibility of cheaper packing substitutes. Partition has led to increases both in India's jute area and in Pakistan's manufacturing capacity, while several other ECAFE countries are trying to develop their own jute manufacturing.

The liberalized jute export policy of 1953/54 remained unchanged in 1954/55; the main elements were minimum interference with normal trade, no export duties on jute manufactures, Open General Licence for exports to American account countries and Argentine and liberal licensing for exports to other areas without destinational quotas.

In 1953/54, the export value of *skins* and *tea* was slightly larger, and that of *wool* and *hides* slightly smaller than in the previous year. The export value of these four commodities accounted for 9 per cent of total export value. The exports of wool, hides and skins are on Open General Licence. There is no export duty on wool, while on tea the suspension of the export duty, following the collapse of tea prices tin 1952, has been extended till March 1955. The Tea Board has taken steps to establish the Pakistan Tea Research Station in East Bengal and a Wool Test House has been opened since May 1954 to grade all wool exports.

Chart 47



Imports

The steep fall in imports in 1953 resulted from monetary controls and the quantitative restrictions on imports introduced in the second half of 1952. In the first half of 1954, the value of imports was even lower than in 1953. The composition of imports has changed considerably within the last few years. The import controls introduced since the end of 1952 reduced imports of consumer goods and stimulated domestic industrial investment. Imports of developmental goods have therefore increased in importance. Imports of machinery, vehicles and iron and steel manufactures increased from 18 per cent of total imports in 1951 to 32 per cent in the first half of 1954, although their absolute level remains about the same.

The import policy in the second half of 1954, though basically unchanged, has allowed the import of 10 new items of consumer goods, such as silk fabrics, woollen yarn and knitting wool, cigarettes and soaps, to give some relief to consumers living under austerity conditions. The prospect of larger foreign aid, the reported increase in inflow of foreign capital and the improvement in the balance of payments during 1953 and the first half of 1954 may have been important factors in the slight liberalization of import control.[2]

MONEY, PRICES AND FINANCE

Money supply

Pakistan experienced suppressed inflation not only during the Korean-war boom, but also in 1952 and 1953 because of increased developmental expenditure and the shortfall in food production. In 1954, inflationary pressures eased considerably because of increased production of food and industrial products.

Money supply expanded rapidly during the Korean-war boom, but during 1952, it declined in spite of a budget deficit[3] chiefly because of the large balance-of-payments deficit.

1. International Cotton Advisory Committee.

2. Because of the government's policy of providing foreign investors with land, water and power, facilities for remitting profits and guarantees of compensation in case of nationalization, as reported by Mr. Khan Abdul Quayyum Khan, Minister for Industries, in *Pakistan News Digest*, 15 August 1954.

3. For the definition of budget deficit used see *infra*, note 1 to p.165.

A small balance of payments surplus in 1953 and a small balance of payments deficit in the first half of 1954, together with larger budget deficits in 1953 and 1954, raised the money supply in early 1954 almost to the peak level of January 1952.[1] There was a slight fall in the third quarter of 1954 because of the large balance-of-payments deficit in the previous quarter.

Commercial bank credit had been a contractionary factor from early 1952 until late 1953, but in the busy season of 1953/54 there was a more than seasonal expansion of loans and advances to finance large increases in industrial output.

Price movement

The cost of living, after rising in 1952 and the first half of 1953, fell in 1954 because of lower food prices. The Karachi cost-of-living index fell from 113 (1948/49=100) in September 1953 to 107 in June 1954. The index in Narayanganj fell more sharply from 124 (1948/49=100) to 91 over the same period because of the greater weight given to food there[2] and the more rapid fall of food prices in Narayanganj than in Karachi.

Wholesale prices of foodstuffs, which had risen sharply in 1951/52, fell rapidly in the second half of 1953 and in 1954 particularly in East Pakistan. In Dacca wholesale prices of rice were almost halved between the second quarter of 1953 and the third quarter of 1954; while in Karachi, wheat prices in the first eight months of 1954 fell by 17 per cent.

Various price and other control measures were introduced during the period of inflationary strain to prevent a rise in prices but they met with only partial success. It is recognized that "with high illiteracy and dispersal of population, controls can only be partially effective. Evasion of control, hoarding, black-marketing and profiteering tend to persist. Controls are a temporary and not wholly successful palliative."[3] The government's policy is progressively to relax controls as the supply position improves and it is aware of the need for increased production to fill the gap between supply and demand.

Price control and other measures have, however, reduced some prices during 1953 and 1954. In 1953, the government imported Rs 40 million worth of cloth and arranged sales through government-sponsored "fair prices" shops which helped to bring down the prices of indigenous cloth. The Cotton Cloth Control Order was issued in January 1954 and, as a result, the prices of many indigenous mill-made cloths were officially reduced by 25 per cent in January, and further cuts of 6¼ per cent, 4 per cent and 3 per cent were imposed in April, May and August respectively. The price control of cotton yarn since April 1953 has reduced the price by 30 to 40 per cent. During 1953/54, price reductions were also effected on essential items such as iron and steel, petroleum, coal and cement.

In 1952 and 1953 boom conditions prevailed on the Karachi Stock Exchange, because of large industrial profits and the expectation of large dividends and capital appreciation. The news of disturbances in East Bengal depressed market sentiments somewhat in late 1953. By mid-1954, confidence was restored, but there were further falls in share prices during the third quarter of 1954.

Financing economic development

Efforts to promote domestic savings continued. The total sale of savings certificates during 1953/54 was Rs 23.5 million as against Rs 19.2 million during 1952/53. The facilities available under the Postal Banks and Postal Life Insurance Schemes were extended.[4] A scheme for compulsory Provident Fund was introduced for government employees. Competitions between administrative units for promoting savings were organized and successful promoters rewarded. Flotation of government bonds continued with great success. The small saver has become investment-minded and is buying shares with the result that many industrial issues during 1953/54 were over-subscribed.

The Pakistan Industrial Finance Corporation has financed many manufacturing industries including textile, cement, pharmaceutical, chemical, and such basic industries as fuel and power. In 1953/54, it sanctioned loans totalling Rs 15.2 million, or about the same as in 1952/53. The government sponsored Pakistan Industrial Development Corporation has initially financed many industries and sold them to private enterprise when established. The House Building Finance Comporation commenced operation during 1953 and by June 1954 had sanctioned 308 loans totalling Rs 4.1 million. The Agricultural Development Finance Corporation set up in 1952 commenced business in March 1953. In its first year, it sanctioned loans amounting to Rs 2.7 million. Its rate of interest was renduced from 6¼ to 5 per cent per annum for individuals and to 4 per cent per annum for co-operative societies.

The government deficits have been only slightly larger than the government expenditures on development, plus loans to private enterprise and to State governments. Therefore the methods of financing government deficit are primarily those of financing economic development. An important method of financing development is not borrowing which in 1952/53 was Rs 411 million as against a deficit of Rs 501 million. In 1954/55, net borrowing is expected to be Rs 459 million or about half the deficit. Successful efforts have been made to promote non-central bank purchases of government bonds and treasury bills. For the two loans floated in July 1954, namely the 3 per cent 1959[5] and the 3 per cent 1962, which together had yielded Rs 158 million by 20 August, commercial banks' subscriptions appear to have been about Rs 45 million.[6] Government borrowing from commercial banks may seem undesirable, but is certainly less inflationary than borrowing from the central bank or using cash balances. The purchase of government bonds by commercial banks reduced cash reserves, but commercial banks were still able to expand credit to the private sector by Rs 7 million between July and August because cash reserves were still in excess of the minimum required by law.

1. By March 1954 it was 11 per cent above the March 1953 level.
2. The weight given to food in the general index is 58 per cent in Karachi and 75 per cent in Narayanganj.
3. The Finance Minister's Budget Speech, 1954/55.
4. On the recommendation of the postal savings committee, the limits on savings bank accounts have been raised; a fixed deposit account system has been introduced with attractive rates of interest (free of tax); and a new series of savings certificates with a higher yield has been issued. The scope of the postal life insurance has been widened and it is intended to widen it further with a view to lay it open to the public ultimately.
5. The subscription list to this loan was closed within a few hours of opening and yielded Rs 108.5 million.
6. Based upon the increases in scheduled banks' investments in central government bonds between 23 July and 20 August 1954.

Other methods of financing the budget deficit include foreign assistance which during the three years 1951/52 to 1953/54 amounted to Rs 828 million, (not all of which have yet been completely utilized) which may be compared with the total development expenditures by the Central and Provincial Governments during the same three-year period of Rs 2,065 million. The assistance received may be divided into five principal groups of (*a*) grants of equipment, supplies, etc., made by Australia, Canada and New Zealand under the Colombo Plan, equivalent to Rs 144 million; (*b*) grants made under the United States Mutual Security Programme, equivalent to Rs 149 million; (*c*) gifts of wheat by the United States, Australia and Canada during 1953 and 1954 of a value of Rs 242 million; (*d*) loans and credits made available by the International Bank and the Export-Import Bank of the United States, and by the United Kingdom, equivalent in all to about Rs 289 million; (*e*) technical assistance.

Government revenue and expenditure[1]

Central Government revenues in 1952/53 and in 1953/54 fell sharply because of the fall in customs revenue.[2] The reduction and abolition of export duties on raw jute and jute manufactures respectively in 1953, the reduction of export duties on the main varieties of cotton in 1952, and the reduced volume of imports, account for the decline in customs revenue. In 1954/55, revenues are expected to increase slightly; customs duties should increase because of the anticipated increase in export earnings and the slight relaxation of control on imports. Receipts from taxes on income and wealth remained unchanged between 1951/52 and 1953/54 because the fall in income from export earnings was offset by rising income from industrial output. In 1954/55, income and corporation tax receipts are expected to fall slightly because the tax exemption limits on income tax have been raised from Rs 3,600 to Rs 4,200, and larger reliefs granted to double taxation on foreign income. With greater economic activity receipts from transactions and consumption taxes were still expanding during 1953/54 and 1954/55.

While central government revenue fell between 1951/52 and 1953/54, expenditures continued to increase mainly because of the increased outlay on development. As a result, the budget deficit increased from Rs 160 million in 1951/52 to Rs 947 million in 1953/54. Developmental expenditures have increased from 15 per cent of total expenditures in 1951/52 to 39 per cent in 1954/55. Defence expenditures since 1952/53 have been reduced, but still occupy 37 per cent of total government expenditures in 1954/55. The provincial governments' expenditures since 1952/53 have fallen through cuts in current expenditure other than economic and social services; while developmental expenditures have increased.

CONCLUSION

The year 1954 may be the turning point in Pakistan's economic development. The food shortage of the previous two years was met by imports of foodgrains obtained through foreign aid and increases in food production; the latter being likely to be maintained. Preparations for stocking 500,000 tons of wheat have been made to forestall any difficulty arising from crop failure in future. The burdensome carry-over stocks of raw cotton and jute, left by the collapse of the Korean-war boom, were reduced to managable proportions by reduction in output and increased domestic consumption in the textile industry. Although the world demand for these two products is still low, the country is adjusting itself to the changed conditions and successful efforts are being made to diversify the economy.

Investment, both public and private, expanded in 1954 and both installed industrial capacity and industrial production increased rapidly. In spite of the easier food situation, inflationary pressures have not been completely eliminated. The balance-of-payments position is still difficult but the large foreign aid being received will help to relieve the situation; although foreign exchange earnings will be needed for financing further economic development, consideration might be given to the desirability of building up at some future date, foreign reserves which are now relatively low.

1. For statistics see special table H in the section on Asian Economic Statistics. The revenue and expenditure figures given in this table differ from those appearing in published budget and *Demands for Grants*, because *revenue* here excludes proceeds from loans and other forms of borrowing and transfers from reserve funds while *expenditure* includes current as well as capital outlays and loans and advances granted by the government, but excludes debt redemption, contribution to sinking funds and transfers to reserve funds. Consequently, the resulting *budget deficit* is also different. The budget deficit as shown in the table is defined as the difference between government payments and receipts excluding debt redemption, borrowing and certain monetary operations ("extra budget receipts"), and is equal to the sum of net borrowing by the government and the decrease in government cash holdings. For further clarification a summary statement of how the revenue and expenditure figures for the revised estimates of 1953/54 have been derived is given below.

Reconciliation of revenue and expenditure 1953/54 (Revised estimates)

Expenditure		*Revenue*	
1. Expenditure met from revenue	1,078.3	1. Total revenue as per budget statement	1,079.2
2. Expenditure not met from revenue	521.2		
3. Total expenditure as shown in budget statement	1,599.5		
Deduct		*Add*	
4. Transfers to funds included in (1)	—35.1	2. Appropriation to railway depreciation fund	+23.2
5. Currency capital outlay included in (2)	—	3. Appropriation to railway reserve fund	—
6. Provision for reduction of debt included in (1)	—20.0	4. Contribution to post and telegraph renewals reserve fund	— 1.3
7. Currency and mint	— 3.9		
8. Salt and opium	— 3.4		
9. Expenditure met from withdrawals from funds included in (2)	—90.4		
Add		*Deduct*	
10. Loans and advances (net)	433.6	5. Salt and opium	— 3.4
11. Total withdrawals from funds	162.5	6. Currency and mint	— 3.9
Total expenditure	2,042.3	Total revenue	1,096.4

2. Although the importance of customs revenue (50 per cent of total revenue in 1951/52) had decreased, it still accounts for 33 per cent in 1954/55.

Chapter 19. THE PHILIPPINES

Of the total land area of about 300,000 square kilometres in the Philippines nearly one half is forest-clad mountains. Only about a fifth of the area is farm land, but mineral resources, especially gold, iron, ore, coal and chromite are comparatively abundant.

The population at the last census (1948) was 19.2 million; the estimate for 1953 is 21.0 million with an annual natural growth rate of 1.9 per cent.[1] The national income estimate for 1953 was P7,375 million giving a *per capita* income of about P350.

Agriculture supports over three-quarters of the population and contributes about two-fifths of the national income. The average size of farms was 3.49 hectares in 1948. Tenants cultivated 27 per cent of the farm land in the same year. Among the major crops, rice and corn are consumed at home, while copra, sugar and abaca (Manila hemp) are chiefly exported, contributing respectively 30, 24 and 10 per cent of total exports in 1953.

Industry is under-developed which may be partly explained by the availability of comparatively cheap imported manufactured goods coming mostly from the United States by reason of the temporary trade arrangement between the two countries. Recently, owing to the government policy of encouraging industrial development, the share of manufacturing industries in the national income has increased steadily and reached 16 per cent in 1953. Inadequate transportation facilities, not yet sufficiently extended to many rural areas, have also hampered a more rapid development of the domestic market.

Exports, of which about two-thirds went to the United States free of duty, accounted for 11 per cent of the national income in 1953. Imports, four-fifths of which came from the United States in 1953, also free of duty, were chiefly manufactured goods.

The Philippine economy developed under United States rule as an exporter of primary products. Capital flowed in freely from the United States and there were mutually preferential trade relations between the two countries. Although the Philippines obtained its independence in 1946, it still maintains an agreed special economic relationship with the United States through the Bell Trade Act of 1946, which was based on the assumption that post-war Philippine economic revival depended on restoring trade with the United States and on an inflow of American capital. It provided for free trade between the two countries on a temporary and diminishing basis. From the effective date of the act until 3 July 1954, neither country was to impose duties on the imports of the other, but from 4 July 1954 on, gradually increasing duties were specified for imports into each country from the other, until full duty is to be charged in 1974.[2] Exports of several Philippine products to the United States, including sugar, coconut oil and tobacco, were however limited by absolute quotas. Also, the exchange value of the peso in relation to the dollar[3] was not to be changed, the convertibility of pesos into dollars was not to be suspended, and no restrictions were to be imposed on the transfer of funds from the Philippines to the United States, without the agreement of the President of the United States. The exploitation, development and utilization of all natural resources of the Philippines and the operation of public utilities, if open to any Philippine national, was to be open to citizens of the United States and to all forms of business enterprises owned or controlled, directly or indirectly, by United States citizens.

Whatever may have been the contribution of the 1946 Trade Act to the country's economic recovery, the Government of the Philippines, realizing the inadequacy of the Act as an instrument for economic development, sought to have it revised before its controversial tariff provisions began to operate on 4 July 1954. Since no agreement could be reached before that date, the Act was extended for another eighteen months *i.e.* until 31 December 1956, giving both sides more time to work out mutually agreeable alternatives. An eventual revision of the agreement, subject to congressional approval in both countries, in mid-December 1954 has now been reported,[4] providing, among other things, that beginning 1 January 1956 and continuing on a graduated scale until 1 January 1974 when both countries will start to levy 100 per cent tariff duties on the products of each other, (1) tariff preferences for Philippine exports to the United States are to be increased while preferences for United States exports to the Philippines are to be decreased; (2) most of the absolute quotas on Philippine exports to the United States are to be eliminated[5] and quantitative restrictions on the products of both countries also are to be reciprocal; (3) citizens of one country are to get assurance of the right to engage in business in the territory of the other on a basis of reciprocity; and (4) the Philippines is to have full control over its own currency. It was expected by both countries that these changes would help the Philippines to succeed sooner in attaining a better balanced economy as a free nation.

The government's basic economic policies, crystallized in the new five-year development programme, emphasize industrialization and diversification in agriculture. These policies are to be implemented by government provision of social over-head capital and other necessary investments which do not attract private capital; as well as by protection, assistance

1. Five-Year Economic Development Programme estimate. The annual rate of population growth of 1.4 per cent in 1950-51 appears to be exceptionally low.

2. The act further provides that no export tax shall be imposed by the Philippines on exports to the United States. The United States is already prohibited from imposing export taxes by its own Constitution.

3. In the ratio of two Philippine pesos for every dollar.

4. United States Department of Commerce, Foreign Commerce Weekly, 20 December 1954.

5. The revised agreement also would permit the Philippines to ask the United States Congress to increase its sugar quota when other sugar-exporting nations have the same privilege.

and encouragement to private enterprise in industry, commerce, and all other fields. Greater self-sufficiency, especially in food, and a higher level of employment through increased industrial development, are expected.

The government is also trying to reduce the dominance of aliens in the retail trade. In mid-1954, an act to confine the retail trade to Philippine nationals was passed. According to the act, except for United States citizens and foreign or partly foreign-owned firms already in business on 15 May 1954, "no person who is not a citizen of the Philippines, and no association, partnership, or corporation the capital of which is not wholly owned by citizens of the Philippines, shall engage directly or indirectly in the retail business." Individual aliens may continue to trade until retirement and alien-owned companies are permitted to carry on operations for ten years or until expiration of their current terms. In case of death, the permit for any alien to continue the business may only be for the purpose of liquidation and that too for a period not exceeding six months after death. The act affected mostly the Chinese retailers who owned about 22 per cent of the total assets invested in retail trade in 1948, as compared with less than one per cent for aliens of any other nationality. The Chinese retailers joined with other aliens to question the constitutionality of the law in the Supreme Court and, for his part, the President appointed a committee to study the possible defects of the law.

THE FIVE-YEAR ECONOMIC DEVELOPMENT PROGRAMME

The draft Five-Year Economic Development Programme, covering the period 1 July 1954—30 June 1959, was submitted to the National Economic Council in April 1954. It is intended to be revised and kept up-to-date every year, by adjusting the remaining four years to changed conditions and adding another year to keep it on a five-year basis.

The programme, which calls for a total investment of P 4,106 million during the first five years, aims at reducing unemployment from 15 to 6 per cent of the labour force and raising the *per capita* income by 36 per cent,[1] while making allowance for the expected population increase to 23.56 million.[2]

The percentage of gross investment to gross national product is to be raised from 7-8 per cent during 1952-53 to 13 per cent in 1959. Almost one third of the total investment under the programme is to be devoted to power, irrigation, flood control, port works, etc. and another third to manufacturing industries. Investment in agriculture accounts for one-fifth. Agriculture's contribution to the national income will be reduced to 32 per cent in 1959 as compared with 40 per cent in 1952, while those of construction and manufacturing will be increased from 3.4 and 13.7 per cent respectively in 1952 to 7.5 and 15.1 per cent respectively in 1959.[3]

1. From P345 in 1952 to P471 in 1959.

2. The population of the Philippines as of July 1953 has been estimated by the Bureau of Census and Statistics at 21,022,700. The annual rate of increase of the population and the labour force is approximately 1.91 per cent. In 1952, about 1.2 million, or approximately 15 per cent of the labour force, was unemployed, in addition to a great deal of under-employment.

3. However, the percentage of manufacturing industry's contribution to the national income had already reached 16 per cent in 1953 and exceeded the planned percentage for 1959.

TABLE 51

PHILIPPINES: PROPOSED INVESTMENT PROGRAMME
1954/55—1958/59

(*million pesos*)

	Public	Private	Total	%
Agriculture	175	653	828	20.2
Mining	—	220	220	5.4
Manufacturing	555	693	1,247	30.4
Transport and communications	66	326	392	9.5
Construction	850	447	1,327	32.3
Others	91	—	91	2.2
Total	1,737	2,339	4,106	100.0

In the draft programme it is planned that Philippine *agriculture*, hitherto artificially sheltered by preferential trade treatment by the United States, should be diversified and also efficient enough in producing the principal export crops to compete in the world market. The programme covers (*a*) food self-sufficiency for the expanding population within the first two years in all items except fruit, milk and dairy products; and thereafter a surplus for export or industrial purposes; (*b*) increase in the production of raw materials such as ramie, cotton and other fibres to the extent of at least 50 per cent of domestic industrial requirement; (*c*) provision of low-cost timber for the construction of 100,000 housing units; and (*d*) more and better export crops at lower cost.

It is planned to increase food crops from 7.3 million tons in 1955 to 11.3 million tons in 1959. A large part of this increase will be the result of the increase in area under cultivation through land settlement programmes, sub-dividing and distributing public land for new cultivation. During the five years it is estimated that 2 million hectares of public land will be available for distribution. The irrigation programme (mainly for rice) is to increase the irrigated area from 480,000 hectares in 1953 to 505,000 hectares in 1955 and 700,000 hectares in 1959, through gravity and pump irrigation works.[4] The production increases will also arise from improved farm practices involving little investment expenditure, such as extensive use of fertilizers, use of superior varieties of plants and breeds of animals, effective control of plant and animal diseases and pests, soil conservation and other techniques; among them the extensive use of fertilizers is the most important.

The largest item of investment in *industry* is for power and fuel, principally government investment in 27 hydro-electric projects. The largest are the Maria Cristina and the Ambuklao and Binga projects. Steam plants are also planned at strategic places, to provide large supplies of power from central stations and through utilization of local coal. Diesel units will be provided at isolated places beyond the immediate reach of the central stations. All these projects are to provide a total additional capacity of 448,425 kW.

4. Experience has shown that pump irrigation systems require far less investment than the gravity-type system although in the long run, because of the operational costs in the pump system, it may be advantageous to construct the gravity type. However, for the purpose of increasing immediately the agricultural output it is advisable, with the limited investment funds available, to continue with the installation of more pump irrigation systems without, of course, necessarily giving up entirely plans to start new gravity systems where they are feasible.

By 1959, about 757,000 tons of coal will be produced for the railways and for steam turbines to generate electricity and for other uses. It is also proposed to establish dehydration plants in the twenty existing private alcohol distilleries of the sugar centrals, each with a capacity of 15,000 litres of 99.8 per cent ethanol per day, using molasses as raw materials. The alcohol thus produced is to be mixed with petrol and used as motor fuel to save foreign exchange.

The programme provides for the development of iron and and steel manufacturing to reach a target of 120,000 tons of pig iron and 100,000 tons of steel by 1959, utilizing local iron ore which is at present being exported mainly to Japan.

Approximately P119 million worth of textiles, including cotton, ramie and rayon, is to be manufactured by 1959 to reduce imports.[1] Eight cotton mills with a capacity of 25,000 spindles each, a rayon factory designed to produce 30 million metres annually and four ramie mills to produce over a million metres each, are included in the plan. Private corporations which have shown great interest in textiles are expected to undertake the proposed programme of expansion.

In pulp and paper industries, it is proposed to establish one paper plant of 21,000 ton capacity a year to manufacture newsprint, tissue and writing paper from sugar cane bagasse, and another with a capacity of 61,500 tons a year to manufacture kraft bags and wrapping paper, kraft linen, newsprint, writing and printing paper out of Philippine wood. These plants are expected to meet approximately the country's requirements for paper, for which cheap raw materials are available locally.

More chemicals, especially fertilizers, amounting to 300,000 tons are to be produced by 1959 for agriculture. An expansion in the ceramics industries as well as in food processing and cottage industries is also planned.

Transport expansion is being planned mainly to help open up rural areas for settlement and remedy present inadequacies in freight transportation. There are also plans to rehabilitate and improve ports and develop waterworks, airfields, public buildings, etc.; and projects on education, technical training, research, public health, social welfare, etc., which will be carried out almost entirely by the government.

Financing of the programme

About P2,369 million, or 58 per cent of the total investment under the five-year development programme, is expected to take place in the private sector, the remaining P1,737 million in the public sector. As private investment accounts for such a large portion of total investment, means of ensuring this investment are extremely important for the achievement of the development programme. This private investment is expected to come chiefly from reinvestment of corporate profits, supplemented by banks credits, hoarded savings, flotation of corporate securities and credit accommodation from the government, while the public investment programme will be financed chiefly by budget appropriations, supplemented by borrowing from the public, foreign-aid loans and grants, and earnings of government corporations.

1. The present production of the National Development Company's textile mills meets only 15 per cent of the country's total requirements of clothing materials.

TABLE 52

PHILIPPINES: METHODS OF FINANCING THE INVESTMENT PROGRAMME

1954/55—1958/59

(*million pesos*)

Private investment:			**2,369**
Private savings		1,822	
Undistributed corporate profits	1,372		
Hoarded savings	250		
Flotation of corporate securities	200		
Borrowing from banks		447	
Credit accommodation from the government		100	
Public investment:			**1,737**
General, special and supplementary appropriations		959	
Income and earnings of government-owned corporations		128	
Bond issues		500	
Foreign-aid loans and grants		150	
Total			4,106

To finance the public investment programme, the government must rely on improvements in tax collection and some modifications in the tax structure. Notable tax revisions proposed in the programme are: (1) graduated rates of taxes on real estate properties in excess of a certain cost, value or area; (2) reassessment of real estate properties to bring them closer to post-war market values; (3) increased rates of estate, inheritance and gift taxes, and of income tax on individuals and corporations to a point not impinging unduly on private investments. The first three measures are intended to increase revenue as well as discourage speculation in real estate, excessive land holdings by absentee owners and construction of luxury-type buildings.

It is also expected that the rise in national income and investment will increase taxable capacity, although it is difficult to estimate exactly the projected increases in tax revenue.

It is even more difficult to forecast how much private finance will flow into the private investment programme as private investors' decisions are autonomous and the availability of private savings for investment cannot be accurately assessed. To mobilize savings for private investment, the programme proposes to use fiscal and monetary measures whose quantitative significance is very difficult to ascertain, such as the expansion of branch banks, insurance companies and postal savings banks in important areas, and the discouragement of investment in real estate and hoarding of jewelry through higher taxes and a more stringent control over the direction of commercial bank lending. In addition, the programme includes the creation of new government institutions to provide loans and technical assistance to new private enterprises.

About one half of the aggregate investment outlay planned for the five-year period, or P2,094 million, is in dollars and the remaining P2,012 million in pesos. Notwithstanding the relatively large foreign exchange requirement, the programme visualizes a favourable balance of trade after 1956, as there will then be a considerable export availability.

Should the financial resources not be sufficient, the various projects are to be developed according to three main priorities under which development projects have been classified: highly essential and very urgent, essential and urgent, and essential but not urgent.

PRODUCTION

The gross national product in 1953 amunted to P8,356 million, a rise of about 5 per cent over the 1952 level. Considering the lower price level in 1953 as compared with 1952, it is apparent that the increase in the gross national product in real terms must have been higher. The combined index of the physical volume of production for agriculture, mining and manufacturing, which represents approximately one half of the gross national product, advanced by 6.9 per cent from 1952 to 1953. The rising trend of production appears to have extended into 1954.

Agricultural production

The index of physical volume of agricultural production in 1953 was 5 per cent over 1952. The general rising trend is continuing in 1954.

Food crops reached a record high level in 1953/54. The production of paddy had increased steadily since the end of the war and reached a peak of 3.18 million tons in 1953/54, thus making the country self-sufficient in this staple foodstuff. Major factors responsible for this increase were the increase in area planted and good weather conditions. Owing to the long drought, the damage wrought by typhoons, the rat infestation, and the flood in one province, the production of paddy in 1954/55 is estimated to be approximately 8 per cent below the previous year's. The substantial reduction in rice stock before the harvest and the expected rice shortage gave rise to hoarding and speculation, and the price of rice went up in September 1954. The government acted quickly to purchase rice from abroad, e.g. Burma, Pakistan and Thailand, and approved private import of 50,000 tons of rice for immediate delivery.

Production of maize and other food crops, including root crops, beans and vegetables, fruits and nuts, etc., were also estimated to increase in 1953/54 over 1952/53.

Among the *export crops*, production of sugar and tobacco was higher in 1953/54 than in 1952/53, though the production of copra and abaca decreased, owing to the outbreak of "kadang kadang" disease of the coconut trees and the havoc wrought by mosaic disease on abaca. Sugar production continued its rising trend, on account mainly of the rapid rehabilitation of the industry and the extensive use of fertilizer. Production in 1953/54 reached a post-war peak of 1,221,000 tons, which was about 19 per cent above that of the previous year and 27 per cent over the pre-war (1935-39) average.

The intensive compaign against dynamite *fishing* resulted in a 15 per cent decline in fish catch. On the other hand, *livestock* and *poultry* were estimated to have increased together by 14 per cent.

Construction

Public works activity appears to have been maintained at the same level in 1953 and 1954 as in 1952. The construction of new highways, rural irrigation systems and other important public installations was carried on. Other projects to be completed are the dockyards at Bataan, the Maria Cristina hydro-electric plant and the fertilizer plants and steel mills in Illigan, Mindanao and the Ambuklao hydro-electric project in Northern Luzon.

Although the total value of private construction increased in 1953 in Manila and 27 chartered cities, there emerged a slight change in its composition, with residential construction declining in relative importance. During the first nine months of 1954, the total value of permitted new building construction in Manila continued to decline to 36 per cent below that in the same period of 1953, with residential building falling more than non-residential. The considerable decline in residential building was due chiefly to a decline in demand, the tight credit conditions brought about by the Reconstruction Finance Corporation in mid-1953, and the shortage and high cost of building materials such as lumber and cement.

Power and fuel

Owing to the expansion in generating capacity of the Rockwell Steam and the Blaisdell Steam Station and the reduction in rates, *electric power* production in Manila received a considerable impetus in 1953. Monthly average output of electricity for 1953 was 52 million kWh, or 13 per cent above 1952, and during the first eight months of 1954 it was 57 million kWh, or 10 per cent higher than the 1953 level. Power needs all over the country are expected to grow with the progress of industrialization. To meet the future increase in industrial loads, the Manila Electric Company plans to expand its present capacity. The 75,000 kW Ambuklao hydro-electric power station is due to be finished in early 1955, and the second unit of the Maria Cristina project is well under way.

Coal production was 138,000 tons in 1953, as compared with 350,000 tons before the war. The use of oil-burning locomotives and the post-war conversion from coal-burning to oil-burning machinery has reduced the demand for local coal. The smaller market and hence the smaller scale of coal-mining operation contributed to higher unit costs of production which compare unfavourably with the price of imported oil fuels.

The new Caltex *oil* refinery at Batangas Bay (south of Manila), designed to process 13,000 barrels of crude oil daily, has started operation in two major units, three years after survey work first started. Caltex has received petroleum-exploration concessions covering 500,000 hectares, a detailed survey of which will soon commence.

Power alcohol was extensively used as a substitute for petrol during the Japanese occupation, and helped to absorb molasses, the abundantly available by-product of the sugar industry. During the post-war period, molasses have enjoyed a favourable export market and the government did not encourage the use of power alcohol. Even in the peak year of 1951, therefore, output of power alcohol was only about one-third of that in 1941. Monthly average output was 713,000 gauge litres in 1953, about 15 per cent below that in 1952; during the first half of 1954 it increased slightly.

Manufacturing

Manufacturing industry progressed rapidly in 1953 and early 1954. The proportion which the value added by manufacturing industry bore to the national income, 11.5 per cent

during 1947-49, rose to 13.7 during 1951-52 and further to 16.1 in 1953. The index of manufacturing production in 1953 was 113 (1952=100); in the first half of 1954, it was 125 or 14 per cent above the corresponding period in 1953.

The increase in manufacturing production may be attributed to the expansion in domestic demand made possible by trade and exchange restrictions since the end of 1949, and the favourable investment climate brought about by more liberal foreign exchange allocations for import of machinery and raw materials and easy credit facilities. The larger import availability of producer goods and the continuous plant and equipment expansion were also a great stimulus.

Among the non-durable manufactures in 1953, paper products showed the greatest increase, followed by leather and products, foot-wear and wearing apparel, tobacco products, and chemicals. Food and beverage production increased slightly, while production of rubber products fell. In the first quarter of 1954, compared with the corresponding period in 1953, production of tobacco and leather products and chemicals increased markedly, followed by food products, beverages, textiles, foot-wear and wearing apparel, while that of paper and rubber products decreased. The Maria Cristina fertilizer plant started work in January 1954 and sold more than P2 million worth of fertilizer during the first six months of operation. The new addition to the market was reported to have brought down the price of ammonium sulphate fertilizer.[1]

In 1953 and in the first quarter of 1954 production of durable manufactures increased more than that of non-durable manufactures. The greatest increase during this period occurred in metal products except machinery, followed by wood and cork manufactures (except furniture and fixtures).

Mining

The index of production in mining increased by 2 per cent in 1953 over 1952. In the first half of 1954, production of various minerals showed divergent movements.

Gold production of 208,000 fine ounces in the first half of 1954 was 14 per cent below that in the first half of 1953, owing chiefly to high cost of production and reduced free-market prices. Despite the continued suspension of the regulation requiring gold producers to sell 25 per cent of their output to the central bank and the tax relief granted by the government,[2] many gold mines continued to operate at a loss. In order to maintain the gold-mining operation, which makes an important contribution to the Philippine balance of payments, a gold subsidy law was passed by the Congress in mid-1954, under which gold miners are given the choice to sell their newly mined gold either on the local free market at whatever price they can get or to the central bank at the official price of P70 per fine ounce plus a subsidy of P41.70 per fine ounce for marginal producers and P35.40 for non-marginal producers.[3]

Production of *iron ore* during the first half of 1954 was about 20 per cent over that of the first half of 1953 and its annual rate for the first time in post-war years exceeds the pre-war level. The demand for Philippine iron ore in Japan continued to be heavy. A Japanese firm is planning another survey of iron deposits in the Larap area, south-eastern Luzon. Production of *copper* showed a 26 per cent increase during the same period, but that of *chromite*, *manganese* and *lead* decreased. A big new copper enterprise, to be opened shortly, is expected to double the country's output. Half the increase in copper output will find its market in Japan.

TRADE AND PAYMENTS

The over-all balance-of-payments position of the Philippines during 1953 and the first nine months of 1954 showed no significant changes, as indicated by the level of the foreign exchange reserves.[4] This was achieved under a careful foreign exchange budgeting system.

A substantial rise in export prices and a slight fall in import prices resulted in a considerable improvement in the terms of trade of about 30 per cent in 1953 over 1952. While the volume of exports in 1953 decreased slightly, that of imports increased appreciably; the deficit in the trade balance remained almost the same.

Chart 48

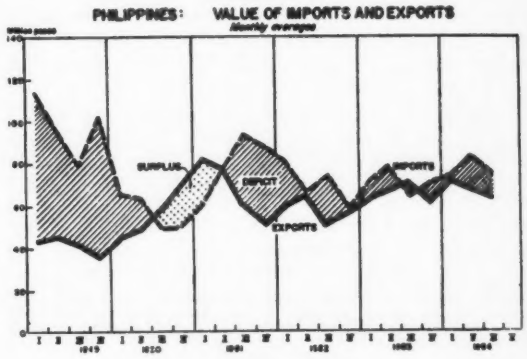
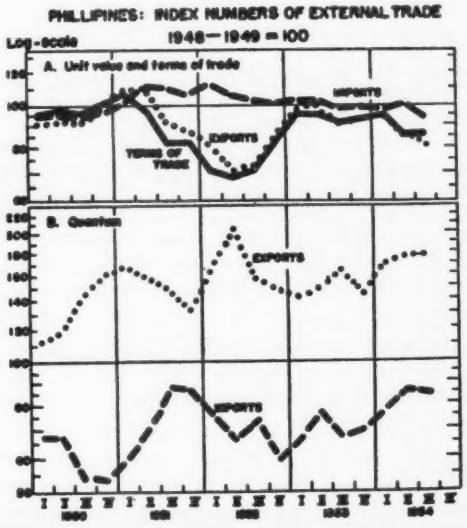


Chart 49



1. *Manila Times*, 2 August 1954.
2. In 1953, Republic Act No. 909 was approved which provided for a uniform rate of 1½ per cent *ad valorem* production tax on gold production in place of the graduated rates previously levied.
3. It was reported that gold-mining companies are preparing to submit reports of their operations to the subsidy board for purposes of classification of marginal land non-marginal producers.
4. Total gold and foreign assets of all banks, including the central bank, amounted to $307 million at the end of 1953, rose slightly to $317 million at the end of September 1954—the same figure as at the end of 1953.

During the first nine months of 1954 the terms of trade turned appreciably unfavourable, while import prices were slightly lower than those in the corresponding period of 1953, export prices were, on the average, 10 per cent lower. However, the substantial increase in the volume of exports in 1954 more than offset the fall in prices and resulted in an increase in the value of exports which made possible a larger import, both in value and in volume, and a smaller trade deficit, as compared with the first half of 1953.

Upon the expiration of the Philippine Rehabilitation Act, receipts of grants from the United States under the Act had been reduced sharply in 1951 and stopped in 1953. Meanwhile, receipts from Mutual Security Agency (MSA) grants, which had started in 1951, also fell slightly in 1953. On the other hand, there was a net inflow of long-term capital in 1953, consisting partly of the loan of $20 million granted by the United States Export-Import Bank to the National Power Corporation to finance the construction of the Ambuklao Hydro-electric Plant,[1] and partly of direct private investment.

During the first half of 1954, there was a substantial outflow of official long-term capital on account of the purchase of the Manila Railroad bonds of P26.4 million from British holders by the Philippine Rehabilitation Finance Corporation.

Export of principal commodities

In postwar years Philippines *sugar* has been exported to the United States duty-free within the quota of 863,640 tons which was not reached in and before 1953. As all Philippines sugar has been exported to the United States and the export price has been more or less stable, the export earnings from sugar have been dependent chiefly on the volume of exports. Sugar exports in 1953 fell slightly to 783,000 tons, but prices rose moderately and more than offset the decrease in volume, thus resulting in an increase in export value. During the first nine months of 1954 sugar exports of 700,000 tons were 10 per cent higher than in the corresponding period of 1953; the total export value was also 10 per cent higher.

As the 1953/54 production exceeded the combined United States quota of 863,640 tons, Philippine quota in the world free market of 22,500 tons under the International Sugar Agreement, and domestic requirements estimated at 254,400 tons, the country is confronted with the problem of marketing the possible surplus of sugar. The extension of the 1946 Bell Trade Act for another 18 months from July 1954 extended the duty-free quota of sugar export to the United States. The world free-market price of sugar has been lower than the domestic price and the price offered by the United States to the Philippines.

In early 1953, world prices of *copra and coconut oil* rose above the pre-Korean-war level. The upward movement in export prices was influenced by the decline in world production in 1953 as well as by increased consumption. The prices, however, fell sharply again during the first nine months of 1954 as a result of the improved world supply position, a world surplus of palm kernels, and the disposal by the United States Government of part of its huge stocks of cotton-seed oil. The rise of copra prices in 1953 more than offset the decrease in the volume of exports, and resulted in a substantial increase in value. Conversely, during the first nine months of 1954, a considerable increase in the volume of exports more than offset the fall in price, resulting in a larger export value than in the corresponding period of 1953. Coconut oil showed similar changes during the same period. Shipments of copra and coconut oil to western Europe increased tremendously, partly because of that area's improved dollar position.

About half of the Philippine copra production is exported to the United States, mainly for soap manufacture, and is there facing the rising competition of synthetic detergents. Recently, coconut oil has also had to compete with cheaper substitutes—the large quantity of palm oil being offered by British West Africa and the inedible tallow produced in Australia and the United States.

World prices of *abaca* fell sharply since 1952. In September 1954, the average price was about 60 per cent lower than in 1951, the post-war peak. The volume of exports in 1953 was about the same as in 1952 and export value fell moderately. During the first nine months of 1954 export quantity was about one fifth below that in the corresponding period of 1953. This, coupled with the lower export price, resulted in a one-third reduction in export value as compared with the first nine months in 1953. The fall in abaca price was attributed mainly to the weak demand in the United States and Japan and the current surplus of other hard fibres.

Imports and import policy

The total value of imports increased slightly in 1953 and was larger in the first nine months of 1954 than in the corresponding period of 1953. As import prices on the average fell slightly during 1953-54, the quantum of imports increased more than the value. The expansion in import was made possible by the increase in export earnings which allowed a more liberal allocation of foreign exchange.

Improvements in the administration of exchange and import controls also facilitated the import trade. On 30 June 1953 import licensing was abolished, the Import Control Commission dissolved and import control integrated with exchange control, to be exercised by the central bank. In December 1953 control was further simplified by permitting importers to use their foreign exchange allocations for the import of any commodity within the same broad exchange licensing category.[2] The 17 per cent tax on purchases of foreign exchange introduced in March 1951 was extended for another year and will expire on 30 June 1955. In addition, wider exemptions have been granted than before.[3]

The import controls and selective exchange policies enforced since 1949 produced an even more pronounced impact on the pattern of commodity imports in 1953. On the basis of tentative figures, the combined percentages for capital goods and industrial raw materials to total imports increased sharply from 36 in 1949 to 52 in 1952 and to 65 in 1953, while that of consumption goods imports dropped correspondingly.[4] The significant shifts in these relative proportions, particularly in 1953, indicate that industrialization, with a protected home market and more generous foreign exchange allocations for capital goods and raw materials, is growing.

1. This loan, bearing 4 per cent interest, will be completely repaid on 16 January 1975, and shall be payable in 40 equal semi-annual instalments, the first instalment to be paid on 16 January 1955.

2. The major categories are "essential producer goods", "non-essential producer goods", "essential consumer goods" and "non-essential consumer goods". Allocations for "non-essential" items may be used for "essential", but not *vice versa*.

3. For a detailed analysis of the effects of the exchange tax, see "The application of multiple exchange rates in selected Asian countries", *Economic Bulletin for Asia and the Far East*, Vol. V, No. 3, November 1954.

4. Cntral Bank of the Philippines, *Annual Report, 1953*.

MONEY, FINANCE AND PRICES

Budgetary position

The budgetary position of the central government during 1953/54 cannot be accurately estimated, as the actuals or revised estimates of expenditure and revenue for the year are not available.[1] However, the original estimates reveal a deficit of P40 million (as compared with the surplus of P40 million in the previous year) chiefly due to increase in expenditure on development.[2] Although estimates of total revenue do not show any increase over 1952/53, tax revenue shows an increase, reflecting the intention of the government to strengthen the tax machinery and thereby increase the collections.

The most significant development revealed by the budget forecasts for 1954/55 is an estimated further increase of P109 million in tax revenue. No new taxes or increases in existing tax rates have been proposed, though ten taxes, including the foreign exchange tax, which have expired or are due to expire in 1954/55, are to be extended. The spectacular improvement in tax revenue is expected to result chiefly from intensified collection of existing taxes,[3] and should convert the deficit of 1953/54 to a surplus of P47 million in 1954/55 despite a post-war record expenditure of P770 million.

Money and credit

The monetary situation remained stable in 1953 and the greater part of 1954. In 1953, while the gross national product increased by 5.4 per cent over 1952, the total money supply increased by only 1.5 per cent. This mild expansion, which was largely confined to bank credit,[4] seemed to be unable to satisfy the need arising from the increase in economic activities and created a tight money situation, especially since mid-1953.

To counteract this the central bank revoked the requirement of a marginal deposit of 80 per cent for letters of credit covering the importation of certain non-essential and luxury goods, so as to activate the funds therein immobilized. The required ratio of cash holdings, foreign exchange and specified securities to the amount of the letters of credit, was reduced from 70 to 50 per cent, in order to increase the commercial banks' capacity to finance business and productive enterprises. Further, the rediscount rate on bank loans was reduced from 2 to 1½ per cent early in 1954, in order to stimulate more rediscounting at the central bank, and so encourage more credit extension by banks.

These measures did not so far yield substantial results. The total money supply at the end of September 1954 was only about 3 per cent higher than at the end of September 1953 and the excess reserves of commercial banks increased. During the first nine months of 1954, the accumulation of funds by the government due to heavy tax collections, together with a slack in its expenditure activities while the various development projects were still being finalized withdrew a sizeable sum of purchasing power from the economy. Reinforcing this contractive factor was the further growth in time and savings deposits of private individuals and corporations. This growth would probably be traced to the cautious attitude on the part of the investors pending the implementation of the government development programmes and investment policies. The vigorous thrift campaign sponsored by the government may have contributed to a relative decline in consumer spending. In view of these developments, moderate deficit financing, if becoming necessary for a larger government investment, might not result in undue inflation.

Prices and incomes

The fact that the increase in agricultural and industrial production, in the volume of imports at lower prices, and, above all, in the gross national product in 1953 and possibly also in the first half of 1954, was greater than the increase in money supply and brought about a fall in the price level. The indices of general wholesale prices, retail prices and cost of living fell by 1, 3 and 5 per cent respectively in 1953 from the previous year and further by 5, 4 and 2 per cent respectively in the first nine months of 1954.

Chart 50

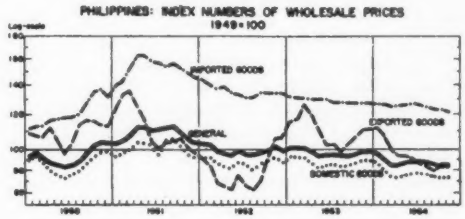
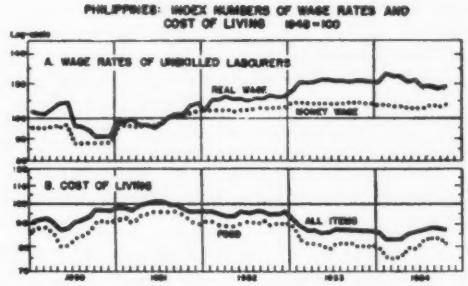


Chart 51



On the other hand, the index of money wages of industrial workers in Manila has increased steadily since 1951, partly as a result of the implementation of the minimum wage law. The real wage of unskilled labourers, therefore, rose by as much as by 9 per cent in 1953 as compared with 1952. It rose further in early 1954, but fell slightly in the third quarter on account of a rise in the cost of living index.

The indices of wholesale prices of imported and home products fell further in 1953 and in the first half of 1954. The lower wholesale prices and the higher money wages indicated a possible decline in the rate of profits, the unfavourable effect of which on the total profits was possibly com-

1. The indications are that actual revenue may turn out to be equal to the estimated revenue while actual expenditure may fall short of the estimated expenditure and thereby reduce the deficit as forecast in the estimates of revenue and expenditure for 1953/54.
2. Sum of expenditure on "social services" and "investment".
3. To improve the efficiency of the tax collecting agency, an increase of P2.5 million in the appropriation to the Department of Finance is proposed in 1954/55.
4. The slight fall in the international reserve resulted in a slight monetary expansion which was of about the same magnitude as the monetary contraction resulting from the slight increase in the government cash balance. Bank credits increased moderately; but the monetary expansionary effects of such increases were offset by the monetary contraction resulting from an increase in time and saving deposits to the extent of 50 per cent.

pensated by an increase in sales during the same period. The share of entrepreneurial and property income in the national income remained constant throughout 1951 and 1953. The larger sales were, in turn, made possible by a larger effective demand which was a result chiefly of the increase in money income in the export sector and the increase in both money wage rates and employment in the non-agricultural sector.

INVESTMENT POLICIES AND CAPITAL FORMATION

Various measures have been taken by government to encourage private investment in industries. An act of 20 June 1953 provides for full tax exemption to new and necessary industries until 31 December 1958 and diminishing exemption from then on until 31 December 1962.[1] The drastic import and exchange controls, imposed in December 1949 to safeguard the balance-of-payments position, gave significant protection to domestic industries by reducing the importation of competing goods. The imposition in March 1951 of the 17 per cent tax on foreign exchange for imports and other uses and the exemption from this tax on the import of capital goods and raw materials for new and necessary industries further reinforced the trend of expansion of such industries.

Meanwhile, the central bank adopted a selective credit policy of encouraging industrial and agricultural loans and discouraging credits for non-essential imports, residential construction and speculative activities.[2]

Regarding foreign investment, only the United States citizen enjoyed the same rights as the Philippine national, but the repatriation of capital and remittances of profits, etc., by the United States citizen as well as other foreigners are subject to exchange control and exchange tax. The total amount of profits and dividends that can be remitted annually to foreign investors abroad is computed on the basis of 10 per cent of foreign participation in the depreciated fixed assets or foreign participation in the paid-up capital, whichever is higher; provided that in no case should the total amount remitted exceed current profits. The central bank regards this provision as quite liberal, in many instances profits in full amount have been remitted. The central bank allows the remittance of royalties at rates provided for in contracts concluded before the imposition of exchange control on 9 December 1949. New contracts entered into after this date are subject to the prior approval of the Monetary Board.

The central bank usually permits the repatriation of capital in installments after five years of operation. This is necessary in order to spread the outflow of dollars evenly, thus preventing the possibility of large remittances which would unduly deplete the international reserve.

No taxes are specifically levied against foreign investment. A 17 per cent tax, however, is levied on all remittances of profits and dividends. The exemption from all taxes for new and necessary industries is granted both national and foreign investors.

Although various measures had been adopted to provide incentives for investment, private investment was at a low ebb in 1950 and 1951. It only increased substantially in 1953 when it exceeded the 1949 level. Government investment did not increase appreciably during 1951-53 and probably will not do so until the government begins to implement its new development programmes.

Total investment in durable equipment increased substantially in 1953 and reached a post-war peak. The percentage of gross investment to gross national product also increased from 7.4 in 1952 to 8.3 in 1953. However, it was still below the percentages recorded in 1948 and 1949 when the country was heavily engaged in rehabilitation.

It is difficult to judge the relative importance of various measures in stimulating industrial development. However, it is noteworthy that although the benefits of the tax emeption law have been available since the latter part of 1946, only 39 firms were granted exemption up to the end of 1949. From the beginning of 1950 to the end of 1952, when the drastic import and exchange controls were imposed, 165 industrial firms were organized and granted tax exemption under the same law. It appeared that under post-war conditions in the Philippines, the incentives offered by tax exemptions alone were not sufficient to induce the desired volume of investment in new and necessary industries, and it took quantitative

1. "Necessary" seems to have been interpreted in the sense of "dollar-saving" and "dollar-producing" rather than "essential". The act supersedes an earlier act of 1946.

2. The details were reported in the *Economic Survey of Asia and the Far East, 1953*.

TABLE 53

PHILIPPINES: GROSS DOMESTIC INVESTMENT

(*million pesos*)

	1948	1949	1950	1951	1952	1953
A. Durable equipment	194	194	133	142	160	212
B. Construction	424	402	374	345	325	359
of which non-residential	213	261	267	227	221	222
C. Total gross fixed investment (A+B)	618	596	508	488	486	571
D. Changes in inventories	123	66	84	68	100	126
E. Total gross investment (C+D):	741	663	592	556	586	697
Private	631	468	381	398	424	534
Government	110	195	211	158	161	163
F. Gross national product	6,369	6,339	6,875	7,702	7,925	8,356
G. Percentage of (E) to (F)	11.6	10.5	8.6	7.2	7.4	8.3

Source: Central Bank of the Philippines, *Annual Report, 1953*.

import restriction and an exchange tax, in addition to tax exemptions, to give a stimulus to investment in such industries.[1]

Quantitative import restriction is probably the most powerful instrument for protecting domestic industries in the Philippines where a strong consumer's preference for foreign goods exists. The quick effect of import control in enlarging the effective demand for domestic goods may be indicated by the substantial increase in consumption of domestic consumer goods after the imposition of the control. While estimated private consumption of domestic consumer goods increased from P4,821 million in 1949 to P5,228 million in 1950, that of imported consumer goods fell from P981 million to P535 million. The estimated share of domestic consumer goods in total consumption, therefore, increased from 83 to 91 per cent, while that of imported consumers goods fell accordingly. The proportions have been generally maintained since then.

TABLE 54

PHILIPPINES: ESTIMATED PRIVATE CONSUMPTION AT MARKET PRICES, 1949-53

(*million pesos*)

	Total (1)	Imported consumer goods[a] (2)	Domestic consumer goods (3)	Percentage of (3) to (1) (4)
1949	5,802	981	4,821	83
1950	5,763	535	5,228	91
1951	6,713	814	5,899	88
1952	6,858	708	6,150	90
1953	7,123	639	6,484	91

Source: Central Bank of the Philippines.

a. Total imports less imports of durable equipment and raw materials at c.i.f. value.

However, import and exchange controls which restricted most heavily the consumption of non-essential consumer goods tended also to encourage the development of domestic industries for producing such goods. Thus the manufacture of cosmetics as well as textiles flourished under the protection.[2]

Moreover, import and exchange controls as imposed in the Philippines tended to encourage the use of imported materials in domestic industries. The central bank found "that a notable feature of the present Philippine industrial pattern is its heavy dependence upon imported raw materials. Only a few of the existing industries are utilizing any appreciable quantity of local materials and those few, unfortunately, are not the major industries. The more important local enterprises in textiles, medicines, chemicals, metals, iron and steel manufactures, soft-drink and rubber manufactures are primarily dependent upon imported raw materials."[3]

In certain cases this situation may not be too serious for the development of industries making final products, and might in due course stimulate domestic production of semi-finished goods and raw materials.[4] However, in many others, this favourable development may take a long time to achieve. Thus, the early implementation of a vertically integrated development policy for manufacturing industries on the one hand and for agriculture and mining to supply the raw materials on the other, seems desirable. If the revision of the Bell Trade Act permits the imposition of tariff duties on imports from all sources, the application of differential duty rates will have a more selective effect than the exemption or imposition of the uniform exchange tax. Moreover, a more selective tax policy to discourage luxury goods industries may be considered.

CONCLUSION

After the levelling off of inflation in 1951, the country has shown remarkable economic strength. While the gross national product increased by approximately 3 to 5 per cent, the price level decreased by about 3 per cent annually, although the terms of trade were not as favourable as during the Korean-war boom. The steady economic expansion under stable monetary conditions is encouraging to further economic development. The recent agreement on the revision of the Bell Trade Act promises the country greater power to manage its own economy and enlarge the United States market for Philippine export products. This would probably necessitate a re-orientation of various economic and financial policies for speeding up economic development.

At present, potential private investment capacity seems to be considerable, as indicated by a steady increase in the excess banking reserve and in savings and time deposits. However, even with the recent relaxation of credit controls and the reduction of the bank rate, private investment does not appear to have increased appreciably. The time is probably ripe for large government investment and for financial as well as technical and managerial help to private enterprise. The early approval and implementation of the proposed five-year development programme is of paramount importance.

1. "Tax structure and expansion of revenue in the Philippines", paper submitted by the Philippine Government to the second meeting of the ECAFE Working Party on Financial Aspects of Economic Development Programme in Asia and the Far East (ECAFE/I&T/FED.2/18, 22 October 1954), p.48.
2. Philippine Bureau of Commerce, *Investment Opportunities in the Philippines*, pp. 13-14.
3. Central Bank of the Philippines, *Annual Report, 1953*, p. 5.
4. The cotton textile industry may be cited as an example. "In 1950 and 1951, tax exemptions were granted to several knitting firms utilizing imported cotton yarn in the manufacture of knitted fabrics. The ratio of the cost of the imported yarn to total manufacturing cost is high (between 75 per cent and 85 per cent on the average) and in view of this fact it was believed that the contribution to the economy was not commensurate with the loss in revenue on account of the tax exemption. This of course was true in the very short run; however, while the knitting firms have greatly enhanced their profits as a result of tax exemption, their establishment has generated a continuing demand for cotton yarn. With the profits accumulated, some of these firms are now in a position to establish spinning mills to manufacture yarn out of raw cotton, instead of importing the cotton yarn. As of now, a number of firms have been granted tax exemption in respect to the spinning of raw cotton into yarn, one of which has been in operation for some time, and another will shortly start operation." ECAFE/I&T/FED.2/18, *op.cit.*, p. 51.

Chapter 20. THAILAND

Thailand's economy is mainly agricultural. The average population density is comparatively low (39 persons per square kilometre), and the available land resources are still substantial.[1] Its population of nearly 20 million is estimated to increase at the rate of 1.9 per cent per annum.

Agriculture provides about 50 per cent[2] of the national income and employs 85 per cent[3] of the working population; 87 per cent of the farm land is owned by those who cultivate it. Soil and climate conditions are favourable to the growing of rice which occupies 92 per cent of the cultivated area and yields an exportable surplus, which in recent years has accounted for more than 55 per cent of total export earnings.

Until recently there has been little emphasis on industrial development. Attempts to discover and develop adequate fuel and power resources have not yet yielded substantial results. Industrial development has also been hampered, *inter alia*, by the absence of an organized capital market.[4]

While Thailand has a system of compulsory primary education, there is an urgent need for the development of technical skills of all kinds. People have been largely content to remain dependent on agricultural pursuits and the incentive for industrial development has been lacking. The limited industrial activities that exist and most of the trade are largely in the hands of aliens.

DEVELOPMENT PROBLEMS AND PROGRAMMES

Lack of sufficient and adequate types of financial institutions and entrepreneurial ability has prevented the use of Thailand's foreign exchange resources and natural wealth in building up factories and other businesses. Investible funds have been used mostly for hoarding and for financing building construction. Government too is handicapped by the lack of technical, administrative and supervisory personnel at the various levels. Consequently, even though a substantial part of the exchange earnings accrue to the government and the Bank of Thailand as a result of the government monopoly of rice exports and the multiple exchange rate system, they have not been channelled sufficiently into desirable lines of investment.

Moreover, the government's policy has been one of maintaining, if not improving, consumption levels; in fact, until the end of 1953 the government had made very limited use of quantitative import restrictions. Exchange controls by themselves were not sufficient to prevent the use of foreign exchange resources for financing non-essential and luxury imports. Resources which could have been used most effectively for development purposes have thus been otherwise utilized and with the declining trend in export earnings the implementation of development projects would be conditioned by the availability of financial assistance from foreign governmental or international and inter-governmental agencies.

At present, there is no over-all co-ordinated economic development plan, but the Council of Ministers has set up a steering committee under the Deputy Prime Minister to co-ordinate the various projects for the development of transport and power and to draw up a five-year investment programme. Projects examined by the committee are submitted to the Council of Ministers which decides on their priority.

The new Industrial Promotion Act which became effective on 12 October, 1954 seeks to encourage both local and foreign investment in industrial enterprises through provision of financial and other facilities. Under the provisions of this Act, a Commission, headed by the Minister of Industry, will advise the Cabinet Council on such problems as the size and kind of industry which should be promoted, introduction of improved industrial methods, reduction of import duties on raw materials and machinery for industrial plants, exemption or reduction for a limited period of taxes provided in the Revenue Code, provision of foreign exchange to industries at the official rate, remittance of funds in foreign currency when such funds represent foreign capital or interest from foreign investment, and restriction of certain imports which compete with the products of domestic industries.

In an exchange of notes the Government of Thailand has already agreed to co-operate in the United States Government Guarantee Investment Programme (conducted through the United States Foreign Operations Administration) which seeks to encourage new investments abroad by American private enterprises. Appropriate steps are also being taken to admit to the country experts needed by the various industries, regardless of the immigration quota.

Irrigation and transport projects

Several basic development projects have been planned and are being undertaken as funds and technical assistance become available.

The International Bank for Reconstruction and Development has lent $18 million for an irrigation project in the central plain,[5] which is expected to be completed toward the end of 1958. Work on the network of irrigation canals and on the Chao Phya river barrage near Chainat is proceeding satisfactorily.

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1. Of the total land area of 51.2 million hectares, cultivated area accounts for only 8.6 million hectares. Of the remaining area, forests occupy 29.9 million hectares.
2. Estimate by the National Economic Council for the year 1952. The share of agriculture in total national income averaged about 60 per cent during the period 1946-49. Since then there has been an increase in the income from other sectors, notably manufacturing, commerce and services, and consequently the share of agriculture declined to 57.1 per cent in 1950, 55.2 per cent in 1951 and 49.2 per cent in 1952.
3. Derived from the 1947 census.
4. Among the financial institutions that exist, the Industrial Bank, set up by the Government to provide finance for industries, deserves special mention.
5. As per agreement signed in 1950 between the Government and the Bank.

In order to meet the growing demand for cement, particularly from the Irrigation Department, a new cement plant (capacity 60,000 tons a year) is to be erected jointly by the State and private enterprises in Nakorn Sawan province, with a capital of 60 million baht. United States and Japanese firms will supply the equipment and also help to erect the plant.

Following the report of the International Bank's mission which visited Thailand in early 1953, a Thai delegation visited Washington from September 1953 to March 1954 for technical discussions on a programme to rehabilitate and develop the railway system. The Bank is in contact with the government on this matter. The railway development programme includes building of new trunk lines and railway bridges, extension of the existing lines and the purchase of rails, diesel locomotives, bogies and wagons.

During the year considerable progress was made on the project for improving the Port of Bangkok. The channel through the sandbar at the Chao Phya river estuary to permit ships of 10,000 tons to enter the port was finally completed in January 1954, after a number of difficulties in dredging had been overcome. A two-year management contract for foreign contractors to maintain the channel was signed in May. Delivery and installation of port equipment, however, are still delayed. An expert recommended by the International Bank to help the Port Authority to reorganize its administration has presented his report to the government and the Port Authority. The Port Authority is to employ an experienced adviser to assist it in administering the port and in carrying out the recommendations contained in the report.

The construction of important highways is to be undertaken with financial assistance from the United States Government. Since many bridges were destroyed during the war, bridge construction has also been given high priority. A contract has been given to a Japanese firm for the construction of three bridges across the Chao Phya river at a total cost of 83 million baht.

Power and other industrial projects

In supplying electricity, the Yarn Hee project on the Me Ping river is especially important. This project, when completed, will have a generating capacity of 320,000 kW to serve 31 provinces. A provincial electricity authority is being set up to build small thermal generating stations in the provinces, of which three are to be built in the immediate future.

Electricity consumption has been steadily increasing and in the Bangkok Electric Works area alone it increased from 85 million kWh in 1953 to 100 million kWh in 1954.[1] Two 5,000 kW steam-driven electrical plants supplied by the United States Foreign Operations Administration are being set up at the site of the lignite deposits at Me Moh; they are expected to supply electricity to the city of Lampang in north Thailand.

According to the National Electric Committee, the large lignite deposits could be used not only for power generation but also as fuel in place of firewood.

Thailand's iron and steel industry at present consists of the Thai Cement Co.'s two 10-ton blast furnaces using charcoal as fuel to produce structural steel. The Department of Metallurgical Works discovered in April 1953 an iron-ore deposit in Kanchanaburi with estimated reserves of about 16 million tons; and it is now planned to set up a plant to produce pig iron there, with a capacity of 100 tons per day.

To meet the growing demand for building construction, a plywood factory is being built in Bangkok with an expected daily output of 6,000 square metres of plywood, 3,700 square metres of veneer and 100 window frames. The government will hold 51 per cent of the shares of this concern. An industrial corporation with a capital of 50 million baht is also being formed to set up new industrial concerns, producing sugar, gunny bags, rubber goods and paper, and also to invest in the stocks of existing and new concerns. The company's primary object is to save foreign exchange by producing more of the commodities now imported from abroad.

The successful implementation of all these projects now under consideration will depend as much on the availability of trained personnel as on the availability of funds. The government has a scheme of in-service training in specific fields conducted by the different departments concerned; for example, training in office management conducted by a special committee set up by the Council of Ministers. In addition there are programmes for technical training at the newly established technical institute at Tungmahamek, for engineering training at the Chulalongkorn University (in co-operation with the University of Texas School of Engineering) and for training of agricultural technicians at the Agricultural University at Bangkhen. There are also schemes for sending government employees abroad for technical training, some of whom are financed by the United Nations and its specialized agencies or such foreign government or inter-governmental agencies as the US Foreign Operations Administration and the Colombo Plan. Facilities are also given for technical training abroad to scholars or fellows of the Civil Service Commission who receive the benefit of foreign exchange at the official rate.

PRODUCTION AND TRANSPORT

Agriculture, fisheries and forestry

In Thailand small-scale peasant farming, mainly of food crops, predominates. *Rice*, the major crop, accounts for 92 per cent of its cultivated area. Thailand's production potential has been much less affected by the economic dislocation of war than that of Burma, Cambodia or Viet-Nam.

The considerable increase in production and in area sown to different crops, recorded in the early post-war years, has since continued. The area for paddy cultivation in 1953, at 6.17 million hectares, was nearly 13 per cent higher than the average for the period of 1948-52. Paddy production, which suffered as a result of floods in 1952/53, reached an all-time record of 8.24 mililon tons in 1953/54. The average yield per hectare has not, however, increased significantly.

The current year's rice supply together with carry-over from the previous year is expected to yield a substantial exportable surplus estimated at about 1.8 million tons. The offtake in 1954 has however been so low that the carry-over at the end of the year is estimated at 0.6 million tons.[2] Thailand has also lost its position as the leading rice exporter of the region, which it had held since 1950, owing to better rice harvests in most countries of this region, and the relatively higher prices of Thai rice.

1. Based on consumption during the first 8 months of 1954.

2. Estimates place exports of rice at 1 million tons and rice flour at 200,000 tons.

Since *rubber* production is mainly for export, the increase in net exports to 95,800 tons during the first ten months of 1954 from 81,400 tons in the corresponding period of 1953 reflects the increase in production which followed the recovery in rubber prices. To help rubber growers the government has freed from import licensing seeds, chemicals and processing equipment.

The amounts of *fish* caught for sale and for home consumption were respectively 37,600 and 92,800 tons[1] during 1953. Owing to shortage of foreign exchange, Indonesia has stopped purchasing fish (mainly salted) from Thailand and in 1954 local fisheries have been finding it unprofitable to operate. The Thai Fisheries Company has been given the responsibility of handling fish exports. Though fish is vital to the rural population's diet, and resources in Thailand's waters are abundant, much has yet to be done to organize Thai fisheries on modern and efficient lines.

Average annual production of *teak*, the most important forest product of Thailand, rose from 245,000 cubic meters in 1950 to more than 328,200 cubic meters in 1953. Its relative importance as an export product has however declined to 2.8 per cent of the total value of exports from 4.2 per cent before the war. Production of *yang*, the second important forest produce, declined from 253,000 cubic meters in 1952 to 245,300 cubic meters in 1953.

Industry

Manufacturing industry accounts for nearly 14 per cent of Thailand's national income, and consists at present mainly of small enterprises. Detailed and up-to-date production statistics are, however, available for only a few industries.

Cement production has been making steady and continuous progress; the current annual rate of production at 364,000 tons is more than twice that of 1950.

The Bangkok *Cotton* Mill, liquidated in the middle of 1953 and since reorganized and taken over by a syndicate, is claimed to be able to meet 65 per cent of the country's yarn requirements. Demand, however, has not been encouraging as the weavers seem to prefer better-quality imported yarn. Owing to competition from imported textiles many weaving sheds have closed. At one time, while importers were allowed to import certain types of textiles (particularly white and grey shirting) at the "preferential import rate",[2] this rate was not granted for imported yarn. At the suggestion of the Minister of Industry the weaving mills have decided to merge into one company under government patronage with a capital of 5 million baht. This merger is expected to give the weaving industry greater stability and competitive power against imported goods.

The *glass* factory which started operating in 1953 now has a production capacity of 50 tons per day. Imports of glassware, particularly from Japan, have consequently been reduced considerably.

Government-owned industrial enterprises, started by the various ministries and government monopolies, are processing local raw materials. The gunny bag factory, the cigarette factories of the Government Tobacco Monopoly and the Government Alcohol Distillery at Ayudhya are among the more important government enterprises; there are also a tannery, a paper mill and a sugar factory.

Thailand's annual requirements of *gunny bags* amount to 20 million.[3] The first gunny bag factory started by the Ministry of Industry in 1952 has now an annual production capacity of 4 million bags. Two additional factories each with a production capacity of 2 million bags are now at the test-running stage.

The *cigarette* factories of the Thailand Tobacco Monopoly consume about 5,000 tons of tobacco leaf and produce about 6,800 million cigarettes per annum. The 1954 crop of tobacco leaf is estimated at 12,000 tons; and the excess stock, after adding the previous year's carry-over and deducting current consumption, at about 10,000 tons. The Tobacco Monoply has planned to purchase this entire stock and extend the existing cigarette factories. Its policy is to cut down imports of cigarettes and thereby reduce competition.

The Alcohol Distillery at Ayudhya with a daily output of 30,000 litres is installing a new plant which is to start producing *alcohol* from rice early in 1955.

New factories erected in 1954 include the Science Department's alum factory and the fish-meal plant at Chumphorn. The *alum* factory which is expected to go into production in late 1954 or early 1955 will have a daily output of 10 tons at an estimated cost of 850 baht per ton compared with the current market price of 1,150 baht per ton. The *fish-meal* plant has been set up with United States aid and it is expected to provide employment to the people in an area hit by the slump in the tin and rubber trades.

Minerals

Tin production in Thailand, which regained its pre-war peak in 1950, has since been steadily declining. From September 1952 to June 1953 output recovered a little under the stimulus of having to surrender a reduced percentage of export proceeds to the Bank of Thailand at the official exchange rate, but since July 1953 it has again been falling, and at 8,140 tons for the first 10 months of 1954, was 390 tons less than during the corresponding period of 1953. Many of the ore-beds are now near the stage of exhaustion. Mines which had to close under pressure of reduced profits have not been able to re-open in spite of the halving of royalties on tin production and the partial recovery of tin prices. Funds are lacking to find and exploit new and richer ore-beds as there has been little or no foreign investment in the industry during the last two years.

Production of *wolfram* and *lead* is hampered by the high cost operation. This, combined with low prices and a 15 per cent royalty, has caused the closing down of many mines. The profits of government-owned mines fell from 10 million baht in 1951 to 2 million baht in 1952, and in 1953 the mines just managed to balance receipts and expenditure.

Transport and communications

Railway operations, which approached the pre-war level in 1953, have made further progress; during the second quarter of 1954 an average of 64 million ton-km of freight were carried per month, compared to the monthly average of 54 million ton-km in 1953.

1. Division of Agricultural Economics and Land Use, Office of the Under-Secretary, Ministry of Agriculture, Government of Thailand, *Economic Farm Survey in Thailand, 1953*.

2. White and grey shirting have been removed from the list of imports qualifying for the preferential rate of exchange since June 1954.

3. Joseph S. Gould, "Thailand: a Developing Economy", in *Economic Problems of Under-developed Countries in Asia* (Indian Council of World Affairs).

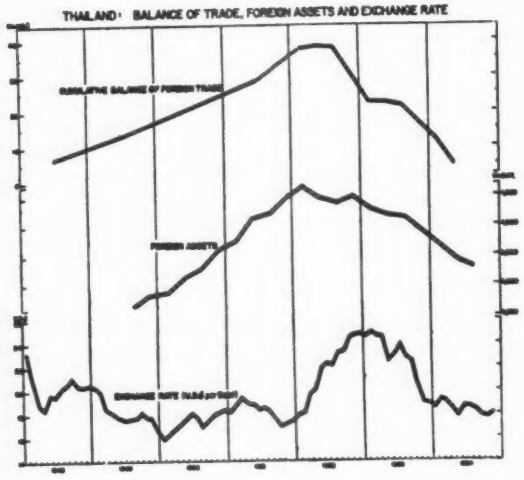
The State Railways of Thailand, which received additional allocations from the Ministry of Communications, has been able to proceed with its rehabilitation programme. Orders have already been placed for 1,200 pairs of wheels complete with axles from Japan. Most of the buildings at the Makasan Railway Workshop in Bangkok, which the International Bank's $3 million loan is helping to finance,[1] have been completed. All the railway signalling equipment has been delivered and is expected to be installed by the end of 1955.

Road and drainage improvement, costing 27 million baht, is to be undertaken in Bangkok and its suburbs by the Bangkok Municipality; it is financed by a one per cent addition to the purchase tax.

TRADE AND PAYMENTS

For the first time since 1948 Thailand's trade balance showed a deficit ($14.4 million) in 1953. This was caused by a 12 per cent increase in the value of imports due mainly to larger imports from countries other than tne United States and the United Kingdom, notably Japan, and to a slight decrease in the value of exports. There were also large non-monetary gold imports which though smaller than in 1952 were still very much larger than the deficit on trade account. Imports during the first half of 1954 at $156.1 million were lower by $17.5 million than in the corresponding period of 1953, reflecting in part the effect of import controls imposed towards the close of 1953. Export earnings, however, fell even more, from $168.1 million in the first half of 1953 to $127.7 million in the first half of 1954, mainly owing to the low offtake of rice which accounts for over half of Thailand's value of exports. The adverse trade balance has in consequence widened to $28.4 million during the first six months of 1954, and is being met by tighter exchange and import controls.

Chart 52



Export earnings

Rice, rubber, tin and teak accounted for an average of about 85 per cent of total export earnings in 1950-53. The share of rice in the export earnings increased from 46 per cent in 1937-38 to an average of 56 per cent in 1950-53.

Rice exports which reached the highest level in 1951 at 1.6 million tons have since been steadily declining. They fell by 10 per cent between 1951 and 1952 and by a further 6 per cent in 1953. Increased rice production in the major rice-consuming countries of Asia and the consequent reduction in effective demand at current prices have reduced the offtake of Thai rice by foreign markets. Figures for the first nine months of 1954 indicate that Hong Kong, a major importer of Thai rice in 1953, bought only a small quantity from Thailand during 1954. Malaya is still an importer but its share is considerably less as part of its requirements are now supplied by Burma. Japan has maintained its purchases more or less at the 1953 level, but the Republic of Korea did not buy from Thailand at all. Indonesia is the only country whose imports have recorded an increase over 1953.

Steps have been taken in 1954 to stimulate rice exports. Merchants are now required to sell only 4 instead of 5 tons of rice to the government to qualify for the right to ship 1 ton on their own account. In addition, the premium payable to government for free-quota rice was waived in respect of all quantities of broken rice with effect from 29 April 1954. The exporters were also allowed to acquire gunny bags for export from any source or market they preferred, whereas formerly all gunny bags needed for rice export had to be obtained from the Rice Bureau. The government is also taking measures to ensure the quality of export rice through strict supervision and better storage facilities. Above all, it announced price reductions as early as January 1954 when it negotiated the rice agreement with British territories. The export price (f.o.b.) of white rice 5 per cent was reduced by $10.64 from $168.70 per ton in 1953 to $158.06 per ton. Again in February the government announced a lowering of prices for low-grade broken rice for which no reduction was announced in the sales agreement with the British territories. These steps, however, were not sufficient to increase sales. By the end of June 1954 only 485,000 tons could be exported, as against 720,000 tons during the corresponding period of 1953. Stocks of broken rice—a by-product of mills producing white rice and other high grades—have consequently been accumulating. The government announced the second price reduction of the year in June, but it applied only to the lower grades of white rice—i.e. 15 per cent downwards—and to broken rice of all categories. Moreover, the reduction came too late in the season to improve the position materially. It is worth noting that the government did not reduce the price to be paid to the millers with a view to leaving internal paddy prices and farm incomes unaffected. However, the fall in the export price of rice sold by private exporters[2] and low effective demand affected paddy prices in some measure. The wholesale price index (1948=100) of paddy which stood at 104 in 1953 fell to 93 during the first quarter of 1954.

In spite of the price reductions announced in June and even though only 60,000 tons out of the 272,000 tons which the British territories agreed to take in 1954 were shipped up to June, exports did not recover in the second half of the year. Up to the end of September total quantities exported amounted to only 761,000 tons, compared to 1,076,000 tons in the corresponding period of 1953. Rice export prices have to bear a more reasonable relationship with prices in importing countries and with prices of wheat and other competing

1. International Bank for Reconstruction and Development, *Ninth Annual Report, 1953/54*.

2. According to the Food Agency, Ministry of Agriculture and Forestry, Government of Japan, the export price of white rice 5 per cent sold on a private commercial basis fell from a peak of $234 per ton in March 1953 to $165 per ton in June 1954. In spite of this decline "free" Thai rice is still about 13 cents a kilo above the retail price of rice sold from government stocks in Malaya.

foodgrains. Of these 761,000 tons nearly 62 per cent were exported under government-to-government contracts and the rest privately. The slight increase in the share of private export trade (in 1953, private export trade accounted for only 33-1/3 per cent) may be attributed to the new concession granted to private exporters. Late in 1954 the government announced its decision to permit merchants who export rice to the Philippines under the new sales agreement with that country to keep the foreign exchange realized from the shipments for their own use or for sale in the open market. The merchants were only required to pay a premium to the government. Under the new rice trade regulations which have become operative from the beginning of 1955, rice export trade is virtually handed over to private exporters. Government-to-government contracts will be entered into only if the importing country desires such an arrangement. Registered exporters who will be given export permits by the Foreign Trade Department of the Ministry of Economic Affairs are, however, required to pay a certain premium[1] to the government and also to surrender a specified[2] amount of foreign exchange to the Bank of Thailand at the official rate.

The volume of *rubber* exports from Thailand has increased by about 18 per cent[3] since 1953 owing to a shift towards increased consumption of natural rubber in the United States and a general re-building of rubber stocks. Rubber prices recovered significantly only from April 1954 and therefore export earnings have since 1953 not increased so much as the volume of exports. The prospects for rubber exports are bright, as world rubber stocks are below their 1953 level. The extension of the trade agreement with Japan is also a contributory factor.

There has been a general recovery in *tin* prices during the first half of 1954. Export earnings from tin were only 11 per cent lower than in the second half of 1953, even though the volume of exports fell by 16 per cent during the same period. As the volume of exports will be limited by declining output, a continued increase in price would be necessary to maintain export earnings at the 1953 level.

The ban on exports of *timber* other than teak which had been imposed with a view to conserving supplies for the domestic market was lifted in July 1953. Regular consignees of Thai timber had turned to new sources of supply during the period of the ban and therefore the revival of timber exports since the lifting of the ban has not been significant owing to lack of new buyers. Exports of teak, which remained very low in 1952, recovered during 1953, but the long-term trend in teak exports is showing a decline. Exports in 1953 were only about two-thirds of the peak 1951 level.

To augment Thailand's foreign exchange earnings the government has removed its ban on exports of certain other commodities also. These include meat, fresh-water fish, several animals, dairy products, various cotton textiles, coconut products, brown sugar, firewood, charcoal, and barks or fibres produced in Thailand. Exporters of these goods do not have to surrender any portion of their foreign exchange earnings to the Bank of Thailand.

1. 200 baht per ton in the case of broken rice (all varieties), 400 baht per ton in the case of whole rice.
2. £10 per ton for broken rice (25%, 35%, 40%, 45% and 50%), £20 per ton for 10%, 15%, and 20%, and £30 per ton for whole rice and 5%.
3. Based on exports during the first six months of 1954.

Imports and import control policy

Quantitative import restrictions introduced in 1953 were reinforced early in 1954 by a further tightening of exchange controls. Import commodity groups eligible for preferential exchange rate financing were reduced from 19 to 4 in March and to 2 (milk and medicines) in June 1954.

The progressive reduction in the number of commodities eligible for preferential exchange rate, which was necessitated by the declining trend in foreign exchange receipts from rice, greatly reduced the Bank of Thailand's supply of foreign exchange to the free market through the commercial banks. Importers had, therefore, to resort more and more to the free market[4] and the free market rate rose rapidly.[5] To prevent further depreciation of the baht in the free market, the Bank of Thailand has been supplying sterling and dollars to commercial banks for re-sale to importers at rates slightly below the free market rates. Since 3 May 1954, the Bank of Thailand's market selling rate has stood at Baht 58 to £1 and Baht 20.72 to $1.[6] With the emergence of this additional exchange rate on the import side, the Bank of Thailand's exchange rate policy is practically back to what it was before the February 1952 currency appreciation, *i.e.*, financing permissible imports at rates fluctuating with the free market rates.[7] In the middle of December 1954, remittances abroad were further restricted and by the end of January 1955, the two remaining commodity groups eligible for preferential exchange rate financing were also brought in line with other permissible imports. Foreign exchange has now to be obtained at the free market rates for *all* kinds of imports.

The import licensing policy was also modified in 1954, strengthening the quantitative restrictions alrady imposed. Imports had been previously classified broadly as "essentials" and "luxuries". Licence was given fairly liberally for the former (which included a wide range of goods), while the purchase of the latter was prohibited. About half of the items formerly treated as essentials have been transferred to a new "semi-essential" group. For these, licences will be issued only to those importers who were importing them before June 1953. While essential goods can be imported without limit, the ceiling for semi-essential goods will be the largest quantity purchased by each individual importer during any of the past five years. The list of commodities the purchase of which is banned has also been revised and now includes as many as 94 items.[8]

As detailed import statistics are not available, it is difficult to assess the extent to which the fall in the value of imports during the first half of the year represents a fall in volume and the extent to which consumer goods imports have been reduced.

4. The availability of foreign exchange in the free market had also been greatly reduced as a result of the general decline in export earnings.
5. The free market rate reached the highest level in April/May 1954 at Baht 63.60 to £1 and Baht 22.50 to $1.
6. As from 15 June 1954, the Bank of Thailand introduced a system by which it would purchase sterling and dollars offered by commercial banks. The buying rates applied are agreed upon by the parties at each transaction. On 21 June sterling was purchased by the Bank of Thailand at the rate of Baht 57.75 to £1.
7. For a fuller discussion on the role of multiple exchange rates, see article on "The application of multiple exchange rates in selected Asian countries", *Economic Bulletin for Asia and the Far East*, Vol. V, No. 3. November 1954.
8. As a combined result of the various import and exchange control measures taken during the year the free market rate improved to Baht 57.25 to £1 and Baht 21.10 to $1 by December 1954.

Since, generally speaking, there has been no significant fall in import prices, the decline in value may be taken to indicate the fall in volume of imports. Certain broad conclusions can, moreover, be drawn from figures relating to imports from the United States, the United Kingdom and Japan, the leading suppliers of imports to Thailand.[1] The fall in imports relates to imports from the United States and the United Kingdom only, since imports from Japan have actually increased during the first half of 1954, as compared to the first half of 1953. Imports of both consumer goods and development goods have been affected. In fact imports of development goods like iron and steel, metals and manufactures, machinery and vehicles, have been very much reduced,[2] probably as a result of the government's policy to spread out development projects over a period of years.

Thailand's international payments situation depends heavily on merchandise transactions. The continuing increase in the demand for imports in 1953, the further fall in rubber and tin prices, and the reduction in rice exports, made a deficit in 1953 (financed mostly by the drawing down of reserves) inevitable. The deficit on goods and services account amounted to $60.7 million. The foreign exchange reserves fell by $51 million from $352 million at the beginning of 1953 to $301 million at its close. The foreign exchange reserves fell till the end of July 1954 when they stood at $259 million. During August they improved slightly to $263 million.

FISCAL AND MONETARY DEVELOPMENTS

The inflationary impact of the 1950/51 commodity boom was followed by a rise in imports deliberately encouraged, through currency appreciation, to counter inflation. Towards the end of 1952 and during 1953 exports declined but imports remained at high levels owing to (*a*) government development projects for which equipment and materials had to be imported; (*b*) an increase in military supplies and service requirments obtained from abroad; and (*c*) the continued rise in private import demand. The result was the emergence of a deficit of nearly $61 million on the goods and services account in 1953. The total monetary effect[3] of the balance of payments more than offset the deficit on government account which amounted to only 932[4] million baht against a budgeted deficit of 1,038 million baht. But in the meanwhile bank advances, mainly to finance growing rice stocks, had increased substantially (an increase of 447 million baht over the previous year) and inflationary pressures continued to persist in the economy (see table 55). Further, in order to reduce the growing external deficit, quantitative import restrictions were introduced towards the end of 1953; at the same time the government budgeted for a deficit of 1,485 million baht for 1954. The cost-of-living index (1948 = 100) rose from 137 in December 1953 to 143 in April 1954.

However, the decline in imports caused by stricter exchange and import controls was more than offset by the fall in export earnings and consequently the external deficit widened. In the meanwhile, owing to a steep fall in government expenditures, the budgetary deficit during the first half of 1954 amounted to only 178 million baht.[5] There was, however, an increase in bank advances (197 million baht between December 1953 and June 1954) but the monetary effect of the external deficit was a significant element in reducing inflationary pressures (see table 55).

Slow rice sales, the decline in government deficit spending, the reduction of currency in circulation and the onset of the rainy season, produced a tight credit situation, resulting in a slowing down of business activity. The temporary recession was reflected in heavy inventories, especially rice, which businessmen found it difficult to move, lower demand for imports, and reduced sales of consumer goods. It is reported that the volume of sales in some Bangkok department stores during the third quarter of 1954 was only half that of the first quarter of 1954. The cost-of-living index (1948=100) in September 1954 stood at 128 compared to 143 in April 1954.

1. The United States accounted, on an average, for 18.1 per cent, Japan for 18.4 per cent and the United Kingdom for 12.6 per cent of the total value of imports into Thailand during 1950-52. ("Payments problems of Thailand", prepared by Ravi Amatayakul of the Interntional Monetary Fund for the Working Group of Experts on Payments Problems of the ECAFE region, July 1954).
2. While the fall in total imports from the United Kingdom was only about 18 per cent, the fall in value of capital goods imports from the United Kingdom was nearly 20 per cent. In the case of the United States the percentages were respectively 27 and 39.
3. The dollar figures of balance of payment have been converted into baht at the official rate of exchange. The resulting baht figuure less the exchange profit of the Bank of Thailand indicates approximately the monetary effect of balance of payments, including, of course, the creation of deposits in favour of the government from its profits on rice exports. The exchange profits of the bank are not transferred directly to the government and are shown as a deduction from the balance-of-payments figure.
4. This deficit represents the excess of expenditures authorized by the budget over revenues. The cash deficit was much higher; there were substantial (but unreported) extra-budgetary expenditures as well as disbursements against commitments incurred in 1952.
5. Here again the deficit indicated does not take into account extra-budgetary expenditures which, however, were far below the 1953 level; nor does it show the effect of large disbursemens against 1953 commitments.

TABLE 55

THAILAND: MAJOR FACTORS IN MONETARY EXPANSION AND CONTRACTION

(Million baht)

	1950	1951	1952	1953	1954 (First half)
Balance of payments on goods and services account[a]	756	728	— 105	— 759	— 526
Exchange profits	..	227	580	478	209
Government accounts (actual)	— 132	— 714	— 931	— 932	— 178
Increase in loans, advances and bills discounted of commercial banks	45	149	461	447	197[b]
Increase in money supply	860	940	25	506	— 18
Total money supply (end of the period)[c]	3,967	4,907	4,932	5,438	5,420

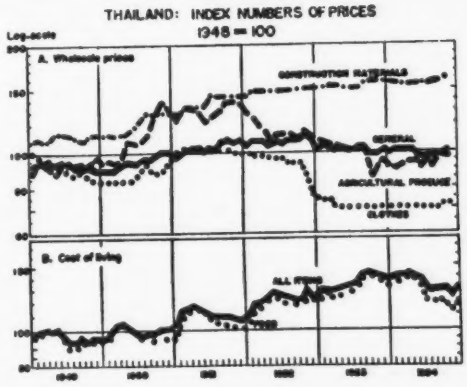
Source: Ministry of Finance and Bank of Thailand.

a. Dollar figures converted at the official rate of exchange.

b. Change between December 1953 and June 1954.

c. Including notes in circulation and demand deposits of commercial banks.

Chart 53



Government fiscal operations during the first half of the year indicate that in 1954, as in 1953, the actual government deficit would be lower than the budgeted deficit. This would be due partly to improved tax collections and partly to reduced levels of expenditure. Out of a total budgeted expenditure of 5,677 million baht, only 2,266 million baht was spent during the first half of the year. It should, however, be remembered that expenditure usually catches up during the later part of the year. In 1953, while total budgeted expenditure was of the order of 5,248 million baht, actual expenditure amounted to 4,866 million baht. The difference between budgeted and actual expenditure was significant in the case of expenditure on economic development. Against a budgeted expenditure of 941 million baht, only 656 million baht was spent during the year owing partly to the government's policy of spreading development programmes over a period of years and partly to technical and personnel problems in connexion with the implementation of projects. In 1954, 1,232 million baht or 22 per cent of the total budgeted expenditure is earmarked for economic development; but since the government's policy in regard to development programmes continues to be the same and since technical bottlenecks still exist, actual expenditure is likely to be lower. Expenditure on external security accounts for about 18 per cent of the total budgeted expenditure in 1954[1]

There has been an upward trend in tax revenue due to the introduction of new taxes and the re-orientation of tax administration. The business tax introduced in 1953, which in effect is a sales tax, is proving to be a good source of revenue.[2] Among measures taken to improve tax collection the most important is the self-assessment scheme. Previously, the Revenue Department used to make the assessment which involved a time-lag of about 9 months between the filing of income tax returns and the actual billing of the assessees. This practice resulted in payments being in arrears as assessees in some cases would have already spent their incomes during the period between filing of the income tax returns and assessment by the Revenue Department. Under the new scheme assessees are permitted to make the assessment themselves and pay half of the tax within 7 days of the due date and the remaining part within 90 days. Tax collections during the last quarter of 1954 and in early 1955 would reach peak levels owing to the overlapping of current collections and collections falling due under the old scheme. Under a carry-back allowances scheme, enterprises are also permitted to deduct the losses incurred during the preceding five years from the income of the reporting year. The government is also taking steps to codify the tax laws and to issue detailed and comprehensive departmental instructions and regulations.

CONCLUSION

Foreign exchange difficulties which were anticipated in 1953 did occur in 1954 and the economy was faced with the problems of adjusting itself to a lower level of export earnings. Even though the stricter import and exchange controls imposed to meet the situation created by declining export earnings did succeed in bringing down the level of imports, external deficit widened because of the steeper fall in export earnings. The fluctuating free market rate does provide a mechanism of adjustment for the balance of payments and to some extent reduces the impact of changes abroad on domestic money incomes. The unfavourable balance of payments causes a depreciation of the baht in the free market. The depreciation of the free-market baht, in turn, tends to stimulate exports and discourage imports, thus reversing the unfavourable balance-of-payments position. This adjustment was, however, not perfect as the major exports, especially rice, were not affected or were only partially affected by the free-market rate. The new rice trading policy can be expected to facilitate the process of adjustment to some extent as exporters are required to surrender only a limited portion of their foreign exchange earnings at the official rate. The success of the new policy would, however, depend on the exporters' ability to quote competitive prices and the smooth working of the new regulations.

The import surplus and exchange profits of the Bank of Thailand contributed towards securing temporary monetary equilibrium. Attempts to reduce the external deficit through more stringent controls may, however, result in an increase of prices particularly of imported commodities. Continued vigilance on the part of the government to keep down the level of government deficits is also necessary for preventing new inflationary pressures. Government expenditures have been substantially reduced, but largely by spreading out expenditure on economic development over a period of years.

1. In analysing government expenditure in Thailand, it is important to remember that owing to the peculiar budgetary system expenditures are likely to be understated. (Paper on "Budgetary Reclassification and Derivation of Deficits in Thailand", submitted by the delegation of Thailand to the Second Meeting of the Working Party on Financial Aspects of Economic Development Programmes in Asia and the Far East, October 1954).

2. In the absence of detailed national income and Department of Revenue statistics, it is difficult to estimate the net yield from particular taxes or to determine the basis for the extension of the tax structure. The net yield from taxes on incomes in certain low income brackets, for instance, is likely to be very small owing to administrative expenses involved in processing the large number of income tax returns.

ASIAN ECONOMIC STATISTICS

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SOURCES

To ensure comparability, data compiled or published by the United Nations Statistical Office have been incorporated wherever possible; material supplied by governments and publications of governments, of the United Nations and its specialized agencies and of international commodity study groups have been used as additional sources.

A. AREA AND POPULATION

	Area (sq km)	Latest census		Estimates of midyear population (thousands)				
		Date	Population	1937	1951	1952	1953	1954
Afghanistan	650,000	..	..	10,972	12,000	..	..	..
British Borneo								
Brunei	5,765	27/11/1947	46,657	35	48	50	54	..
North Borneo	76,112	4/ 6/1951	334,141	295	335	347	355	..
Sarawak	121,909	26/11/1947	546,385	440	571	581	592	..
Burma	677,924	5/ 3/1941	16,823,798	15,635	18,674	..	19,045	19,242
Cambodia	175,000	..	..	3,046	4,000	18,859	3,860	..
Ceylon	65,607	20/ 3/1953	8,098,637	5,712	7,742	7,940	8,155	..
China	9,736,288	31/ 6/1953	582,603,417[a]	..	..	..	582,603[a]	..
Taiwan	35,961[b]	1/10/1940	5,872,084	5,530	7,713	8,000	8,261	8,617
Hong Kong	1,013	7/ 3/1931	840,473	1,282	2,013	2,250	2,250	2,277
India	3,288,251	1/ 3/1951	356,879,394	304,333	..	367,000	372,000	..
Indonesia	1,491,564	7/10/1930	60,412,962	67,398	77,400	78,700	79,900	81,100
Japan	368,303	1/10/1950	83,199,637	70,040	84,300	85,500	86,700	88,000
Korea	220,792	1/10/1944	25,120,174	21,528	..	..	30,000	..
South Korea	95,783	1/ 5/1949	20,188,641	..	..	21,206	21,376	21,687
Laos	236,800	..	..	1,012	1,309	1,356	1,260	..
Malaya								
Fed. of Malaya	131,282	23/ 9/1947	4,908,086	4,083	5,337	5,506	5,706	5,889
Singapore	755	23/ 9/1947	940,824	..	1,045	1,080	1,123	1,168
Nepal	140,000	..	..	..	..	7,000	..	..
Pakistan	943,699	28/ 2/1951	75,842,165	..	75,842	..	..	..
Philippines	299,404	1/10/1948	19,234,182	15,445	20,246	20,646	21,039	21,440
Thailand	514,000	23/ 5/1947	17,442,689	14,492	18,837	19,193	19,556	19,925
Viet-Nam	329,600	..	..	18,972	25,000	..	25,880	..

Sources: United Nations Demographic Yearbook and governments.
a. Excluding Taiwan. b. Included in the area for China.

B. CRUDE RATES OF LIVE BIRTHS AND DEATHS PER ANNUM

Number of live-births or deaths per 1,000 persons

	British Borneo			Burma	Ceylon	China (Taiwan only)	Hong Kong	India	Japan	Malaya		Philippines	Thailand
	Brunei	North Borneo	Sarawak							Federation	Singapore		
(1) Live births													
1920–24	..	..	..	28.5[a]	38.5	41.8	..	33.0	35.0	..	28.9	..	27.7[a]
1925–29	..	..	..	24.3	40.6	44.4	..	33.5	34.0	..	33.2	33.7[a]	29.9
1930–34	..	..	..	27.6	37.8	45.5	..	34.0	31.8	37.0[a]	38.5	32.4	34.6
1935–39	..	..	..	32.1	35.7	44.7	26.7[a]	33.8	29.2	40.2	46.0	33.6	34.9
1940–44	..	..	..	..	37.3	41.8[a]	25.2[a]	29.1	30.1	40.7[a]	44.8[a]	32.5[a]	35.2
1945–49	45.2[a]	19.0[a]	14.0[a]	..	39.0	41.0[a]	25.1[a]	27.0	29.9	40.6[a]	46.4[a]	30.5[a]	25.1
1950	50.7	26.6	22.2	..	40.4	42.5	26.8	24.9	28.2	42.0	45.7	21.9	28.4
1951	58.7	31.2	24.6	46.1	40.5	49.9	34.0	24.9	25.4	43.6	46.2	22.7	29.3
1952	56.6	33.1	27.4	47.3	39.5	46.6	32.0	24.8	23.5	44.4	47.5	21.9	29.1
1953	..	32.6	..	49.2	39.4	45.3	33.6	26.7	21.5	43.7	48.7	20.7	..
1954													
Jan	..	..	..	..	40.4	46.1	38.8	25.9	26.6	39.4	45.3	18.3	..
Feb	..	..	..	..	43.5	53.7	39.3	22.0	24.8	46.2	47.7	14.8	..
Mar	..	..	..	..	41.8	50.2	34.5	23.4	21.5	45.0	49.5	12.4	..
Apr	..	..	..	..	..	41.5	29.4	21.5	19.7	43.5	47.4	13.7	..
May	..	..	..	..	..	37.4	28.8	22.1	17.0	42.8	48.9	..	..
Jun	..	..	..	..	..	36.3	29.9	25.9	16.8	43.2	49.5	..	..
Jul	..	..	..	..	..	35.1	34.3	27.5	18.7	..	..	..	..
Aug	..	..	..	..	..	37.9	35.8	..	19.5	..	..	..	..
Sep	..	..	..	..	..	..	..	..	19.4	..	..	..	..
(2) Deaths													
1920–24	..	..	..	21.1[a]	28.9	25.3	..	26.8	23.0	..	30.5	..	15.1[a]
1925–29	..	..	..	19.1	24.9	22.4	..	24.3	19.8	..	29.0	18.3[a]	15.5
1930–34	..	..	..	18.3	22.4	20.3	..	23.7	18.1	21.6[a]	23.8	17.1	16.3
1935–39	..	..	..	22.0	24.5	19.8	29.1[a]	22.6	17.4	20.8	22.1	16.7	16.4
1940–44	..	..	..	..	20.1	*18.0*	35.8[a]	22.6	16.3	20.1[a]	20.8[a]	16.6[a]	17.3
1945–49	19.7[a]	13.3[a]	5.8[a]	..	16.5	*14.7*	8.6[a]	18.6	17.0	17.5[a]	12.5[a]	..	13.3
1950	18.1	11.9	11.2	..	12.6	11.3	8.2	16.1	10.9	15.8	12.1	8.2	10.0
1951	14.8	13.5	9.1	..	12.9	11.6	10.2	14.4	10.0	15.3	11.9	9.1	10.3
1952	17.4	13.0	9.9	..	12.0	9.9	8.6	13.6	8.9	13.6	11.2	8.5	9.9
1953	..	11.5	..	..	10.9	..	8.1	15.0	8.9	12.4	10.3	8.8	..
1954													
Jan	..	..	..	..	11.6	7.7	7.3	14.3	9.4	11.8	9.7	7.1	..
Feb	..	..	..	..	12.0	7.9	8.9	11.5	10.0	12.0	10.0	6.8	..
Mar	..	..	..	..	10.9	8.5	8.8	11.8	9.0	11.9	9.7	6.2	..
Apr	..	..	..	..	..	7.8	8.2	11.6	7.9	12.5	9.2	4.8	..
May	..	..	..	..	..	8.0	9.3	13.1	7.5	13.1	8.9	..	..
Jun	..	..	..	..	..	7.9	9.8	12.3	7.3	13.5	8.9	..	..
Jul	..	..	..	..	..	8.5	10.0	12.9	7.3	..	..	..	..
Aug	..	..	..	..	..	8.2	8.3	..	7.4	..	..	..	..
Sep	..	..	..	..	..	..	..	..	7.7	..	..	..	..

Sources: United Nations Statistical Office and governments.
a. Average of less than 5 years.

C. INDEX NUMBERS OF AGRICULTURAL PRODUCTION

1934–38=100

	All Commodities	Food	Cereals	Per caput food production	Per caput cereal production
BURMA					
1946/47	66	65	55	58	49
1947/48	80	80	78	71	69
1948/49	80	80	77	70	67
1949/50	79	80	75	70	65
1950/51	83	82	75	71	65
1951/52	87	87	80	73	68
1952/53	91	90	84	75	71
1953/54	89	88	81	73	68
CEYLON					
1946/47	118	109	109	91	91
1947/48	117	111	112	90	91
1948/49	123	116	117	92	92
1949/50	126	121	114	93	87
1950/51	134	123	118	91	88
1951/52	137	128	136	93	99
1952/53	131	124	122	88	86
1953/54	139	133	136	91	93
CHINA (Taiwan only)					
1946/47	55	55	80	49	70
1947/48	72	72	86	61	72
1948/49	85	85	92	67	73
1949/50	94	93	107	70	80
1950/51	96	96	120	69	87
1951/52	106	104	124	73	86
1952/53	118	116	126	78	85
1953/54	120	118	133	77	87
INDIA (1936–38=100)					
1946/47	99	101	96	89	84
1947/48	98	100	94	87	82
1948/49	97	100	94	86	81
1949/50	101	103	97	87	83
1950/51	98	99	89	83	74
1951/52	99	101	91	84	76
1952/53	103	104	99	85	81
1953/54	112	113	117	92	94
INDONESIA					
1946/47	65	70	72	62	64
1947/48	75	77	79	69	70
1948/49	80	83	83	73	73
1949/50	90	90	87	78	75
1950/51	101	91	88	79	75
1951/52	110	96	93	81	79
1952/53	110	98	99	81	82
1953/54	110	101	100	82	82
JAPAN					
1946/47	72	79	88	72	79
1947/48	73	80	90	71	79
1948/49	84	92	102	79	88
1949/50	88	96	103	81	87
1950/51	96	104	105	86	87
1951/52	101	109	102	89	84
1952/53	112	120	110	97	89
1953/54	99	106	94	84	75
KOREA (South) (1930, 1934 and 1936=100)					
1946/47	76	76	84	57	63
1947/48	100	102	92	76	68
1948/49	108	106	101	77	74
1949/50	121	118	112	86	81
1950/51	98	96	103	70	75
1951/52	95	93	96	69	71
1952/53	98	99	101	71	72
1953/54	101	103	110	70	75
MALAYA					
1946/47	89	72	85	55	65
1947/48	132	85	108	67	84
1948/49	141	86	97	66	74
1949/50	140	95	137	71	103
1950/51	145	100	139	75	102
1951/52	128	92	107	65	76
1952/53	127	99	138	68	95
1953/54	125	98	128	65	85
PAKISTAN (1936–38=100)					
1946/47	103	111	113	99	100
1947/48	103	107	104	95	92
1948/49	103	111	113	97	99
1949/50	104	113	116	98	101
1950/51	107	113	116	98	100
1951/52	107	112	111	96	95
1952/53	108	111	107	95	91
1953/54	105	114	113	96	96
PHILIPPINES					
1946/47	85	91	104	74	85
1947/48	89	94	107	76	86
1948/49	93	99	118	78	93
1949/50	103	110	124	85	96
1950/51	125	131	132	100	101
1951/52	127	135	136	101	102
1952/53	128	137	147	100	108
1953/54	133	142	151	102	108
THAILAND					
1946/47	107	110	107	91	88
1947/48	120	121	126	98	102
1948/49	140	136	157	108	125
1949/50	139	136	154	106	120
1950/51	144	138	156	106	120
1951/52	154	146	169	110	127
1952/53	146	139	152	103	112
1953/54	162	155	190	112	137

GENERAL NOTES: ***Food crops*** comprise the following: Cereals, sugar, root crops, pulses, oilseeds, fruits, vegetables, beverage crops, and livestock and dairy products. ***Cereals*** include: rice, wheat, maize, millet, sorghum, barley, oats, and rye. ***Commodities other than food*** include: tobacco, fibres, linseed and rubber.

SPECIAL TABLES

D. PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES

	AREA (1,000 hectares)					PRODUCTION (1,000 tons)				
	1934-38 average[ø]	1948-50[§]	1952	1953	1954	1934-38 average	1948-50	1952	1953	1954
RICE (Paddy)										
British Borneo	..	*228*	..	..	..	..	167	..	..	..
Brunei	2[a]	3	4	..	..	2[a]	6	7	..	..
North Borneo	33	35	31	..	..	20[a]	43	47	..	..
Sarawak	241	190[a]	..	..	..	148	118[a]	..	..	..
Burma[b]	4,931	3,827	4,000	4,044	..	6,971	*5,220*	5,841	5,616	..
Cambodia	..	1,058[a]	1,166	1,205	..	.. [c]	1,260[a]	1,471	1,503	..
Ceylon	344	392	400	434	..	340	..	*494*	553	..
China (Taiwan only)	666[a]	*753*	*780*	*815*	*805*	1,642	*1,725*	*2,050*	*2,280*	2,220
India	23,741[a]	30,221	30,030	31,017	..	32,308[a]	33,539	34,282	42,168	..
Indonesia	*6,042*	6,000	6,532	..	..	9,987	*8,400*	9,630	*6,452*[d]	..
Japan	3,169	2,968	3,004	2,982	3,051	11,501	11,995	12,404	10,298	11,761
Korea (South)	1,216[a]	*1,055*	*923*	*1,110*	*1,110*	2,726[a]	*3,061*	*2,900*	*3,400*	*3,300*
Laos	..	850[a]	800	..	..	.. [c]	565	500	..	..
Malaya, Federation of	297	353	334	333	*340*	513	637	711	658	*630*
Pakistan	7,582[a]	8,865	9,314	9,928	*9,200*	11,169[a]	12,580	12,416	13,946	*12,900*
Philippines	1,990	2,223	2,456	2,920	..	2,179	2,620	3,144	3,182	..
Thailand	3,370	5,063	5,130	5,931	*5,750*	4,357	6,767	6,602	8,239	*7,700*
Viet-Nam	..	1,650[a]	1,924	1,870	..	.. [c]	*2,210*[a]	2,633	2,463	..
WHEAT										
Afghanistan	..	..	..	..	..	..	1,700[a]	..	..	..
China (Taiwan only)	1[a]	14	15	14	..	1[a]	12	17	14	..
India	10,802	9,078	9,471	9,729	10,561	7,411	5,930	6,183	6,870	7,917
Japan	684	754	720	685	672	1,288	1,283	1,537	1,374	1,511
Korea (South)	135[a]	103	98	*107*	*116*	100[a]	97	83	*99*	*157*
Pakistan	3,766[a]	4,238	4,142	3,847	*4,310*	3,183	3,862	3,112	2,477	*3,742*
SUGAR (Cane & Beet)										
Afghanistan (Beet):										
Centrifugal (raw value)	..	..	..	..	..	.. [a]	5[a]	4	6	..
Burma: Centrifugal	..	14	..	..	..	23[n]	*7*	*23*	*23*	..
Non-centrifugal	21△	18[a]△	..	..	..	78[a]	*68*	*82*	*82*	..
China (Taiwan only):										
Centrifugal (raw value)	..	108△	*98*	*85*△	..	1,030	*565*	*895*	*720*	..
Non-centrifugal	116	82	..	..	..	29[a]	*10*	*19*	12	..
India: Centrifugal (raw value)	1,326△[a]	1,564△	1,729△	1,456△	..	1,090[a]	1,270	1,566	1,209	..
Non-centrifugal; Gur	..	..	..	..	..	*2,680*[a]	2,970	3,063	*3,060*	..
Indonesia										
Java & Madura:[e]										
Centrifugal (tel quel)	55	19	47	44	..	913	182	460	620	..
Non-centrifugal	..	..	..	..	..	73[a]	*36*	*150*	*213*	..
Japan (Beet): Centrifugal (raw value)	17	12	13	..	..	39	13	32	*40*	..
Non-centrifugal, cane	6△	3△	4△	..	..	4[a]	*15*	*13*	*13*	..
Malaya, Federation of:										
Centrifugal (raw value)	..	1△	1△	..	..	..	8[a]	..	..	..
Pakistan:[f] Centrifugal (raw value)	211△[a]	291△	352△	..	..	*30*[a]	*42*	*76*	*76*	..
Non-centrifugal; Gur	..	..	..	..	..	*650*[a]	*610*	*762*	*853*	..
Philippines: Centrifugal (raw value)	235△	332△[a]	391△	..	..	960[a]	711	1,029	1,241	..
Non-centrifugal	..	143[a]	209	225	..	57[a]	34	58	50	..
Thailand: Centrifugal (raw value)	..	48△	74△	..	..	19[a]	*32*	*36*	*36*	..
Crude brown	10	47	73	..	..	15[a]	*19*	*19*	*19*	..
POTATOES										
India	182[a]	226	246	*261*	..	*1,833*[a]	1,510	1,963	..	..
Japan	151	217	197	207	*212*	1,622	2,390	2,515	2,635	..
Korea (South)	..	*45*	*38*	*40*	..	..	*299*	*250*	*270*	..
SWEET POTATOES & YAMS										
Cambodia	1	2	2	..	..	18	30[a]	35	..	..
China (Taiwan only)	126[a]	231	..	..	..	1,279[a]	2,123	2,100	2,625	..
Ceylon	..	28	20	..	..	..	54	50	..	..
Hong Kong	..	4	4	..	..	..	19	18	..	..
India	..	130[a]	172	..	..	..	816[a]	1,186	..	..
Indonesia	206	226	335	335	..	1,459	1,512	2,292	2,274	..
Japan[g]	248	421	377	360	..	3,060	6,210	6,205	5,391	..
Korea (South)	..	43	32[g]	..	..	..	283[a]	178[g]	..	..
Malaya, Federation of	..	15	6	7	..	..	*196*[a]	..	..	..
Philippines	84	109	120	121	..	202	455	540	..	..
Singapore	..	1	1	1	..	..	10	6	5	..
Viet-Nam	105[a]	15[a]	24	..	..	228[a]	64[a]	133	..	..
SOYBEANS										
Indonesia	337[h]	361	413	422[i]	..	241[h]	263	278	278[i]	..
Japan	326	303	410	421	..	321	295	521	429	..
Korea (South)	393[a]	235	264	250	..	280[a]	*151*	120	143	..
Thailand	3	*12*	24	22	..	4	8	21	20	..

	AREA (1,000 hectares)					PRODUCTION (1,000 tons)				
	1934-38 average[ø]	1948-50[§]	1952	1953	1954	1934-38 average	1948-50	1952	1953	1954
GROUNDNUTS (in shells)										
China (Taiwan only)	30[a]	78	..	..	..	50[a]	55	58	54	..
India	3,246[a]	4,061	4,796	4,596	..	3,196[a]	3,287	2,930	3,832	..
Indonesia	237[h]	*280*	262	..	..	263[h]	*330*	258	*325*	..
Japan	8	11	25	25	..	12	12	23	27	..
Philippines	7	25	27	25	..	4	19	17	13	..
Thailand	..	58	71	72	..	..	49	73	78	..
COPRA										
British Borneo[j]	..	..	..	..	..	16	22	26	26	..
Ceylon	..	..	..	..	..	215	217	267	237	..
India	..	..	..	..	..	41[k]	220[a]	234	..	..
Indonesia[m]	..	..	..	..	..	715	461	420	470	..
Malaya, Federation of	..	..	..	..	..	188[a]	129	157	154	..
Philippines	..	..	..	..	..	583	787	954	869	..
COFFEE										
Indonesia: Total	..	..	..	..	..	124	*31*	47	62	..
Estates	113	35	44	42	..	(56)	(11)	(13)	(22)	..
Philippines	..	10	..	..	..	2	4	6	..	..
Viet-Nam	..	..	3	11	..	2	—	2	5	..
TEA										
Ceylon△	226	225	231	232	..	104	*140*	144	156	..
China (Taiwan only)	42	35	38	39	..	12	9	12	12	..
India△	309[a]	313	314	..	..	178[a]	268	306	*276*	..
Indonesia	198	57[n]	67[n]	66[n]	..	75	25[p]	37[p]	37[p]	..
Japan△	39	27	30	33	..	49	33	57	57	..
Pakistan△	44[a]	*30*	30	30	..	26[a]	*22*	24	25	..
TOBACCO										
Burma	40	*50*	*55*	*55*	..	45	38[a]	*47*	*51*	..
China (Taiwan only)	1[a]	6	6	5	..	2[a]	7	9	10	..
India	365[a]	343	323	360	..	343[a]	263	222	260	..
Indonesia: Estates	27[i]	14	12	..	..	44	8	8	..	..
Farms	149	107[a]	142	..	..	67	..	76	..	..
Japan	35	50	55	66	69△	64	86	96	101	118
Korea (South)	12[a]	*19*	17	14	..	13[a]	*30*	17	15	..
Pakistan	142[a]	*68*	70	78	..	151[a]	*68*	75	90	..
Philippines	67	38	39	44	..	35	24	22	28	..
Thailand	10	26	43	53	..	9	18	42	50	..
Viet-Nam	10	..	10	10	..	8	4[a]	7	7	..
COTTON										
Afghanistan: seed	*75*	*25*	40	..	..	*20*	*11*	*24*	*26*	*18*
lint	*75*	*25*	40	..	..	*10*	*6*	*12*	*13*	*9*
Burma: seed	198	*80*	*146*	*162*	..	39	*17*	*38*	*35*	..
lint	198	*80*	*146*	*162*	..	21	*9*	*21*	22	*18*
India: seed	8,486[a]	5,126	6,350	*6,890*	*5,208*	2,290[k]	866	1,114	1,358	..
lint	8,486[a]	5,126	6,350	*6,890*	*5,208*	737[a]	433	557	700	..
Korea (South): seed	..	133	115	..	..	..	55	32	*32*	..
lint	..	133	115	..	..	..	28	16	16	..
Pakistan: seed	1,495[a]	1,156	1,403	1,185	..	..	420	639	510	..
lint	1,495[a]	1,156	1,403	1,185	..	289[a]	210	319	256	..
Thailand: seed	6	31	37	40	..	3	11	16	18	..
lint	6	31	37	40	..	2	6	8	9	..
JUTE										
India	349[a]	461	735	484	540	345[a]	511	838	567	513
Pakistan	*856*	695	772	308	465	*1,154*	896	1,238	454	491
HEMP FIBER										
India[q]	..	297	272	..	..	*100*	149	121	..	..
Philippines (Abaca)	292[a]	293	272	266	..	183	96	113	105	..
RUBBER										
British Borneo	..	..	..	..	..	33	70	53	42	..
Brunei	..	..	..	..	..	2	2[s]	2[s]	1[s]	..
North Borneo[s]	..	..	..	..	..	10	22	19	17	..
Sarawak	..	..	..	..	..	21[s]	46	32	24	*23*
Burma	..	..	..	..	..	9	9[s]	14[s]	10[s]	..
Cambodia	..	..	..	..	..	..	16[s]	18	..	..
Ceylon	..	..	..	..	..	62[s]	101	98	100	*98*
India	..	..	..	..	..	14	16	20	22	..
Indonesia	..	..	..	..	..	354	529	761	703	*672*
Malaya	..	..	..	..	..	423	699	594	584	*584*
Philippines[t]	..	..	..	..	..	1[s]	1	1	2	..
Thailand[s]	..	..	..	..	..	32	102	99	97	*97*
Viet-Nam	..	..	..	..	..	..	31	48	76[u]	..
WOOL										
Afghanistan	..	..	..	..	..	4	*3*	*3*	*3*	..
India	..	..	..	..	..	24[k]	14	15	14	14
Japan	..	..	..	..	..	—	1	1	1	..
Pakistan	..	..	..	..	..	..	6	7	7	8

GENERAL NOTE: Figures for crop areas relate generally to harvest. The symbol △ relates to planted areas.

a. Figures do not relate to the years stated in the column. For details of the years used in compiling the average see *Yearbook of Food and Agricultural Statistics, 1953*, Volumn VII, Part I.
b. Excludes Putao, Chin Hills, Shan states and Karenni.
c. Total average annual production of Cambodia, Laos and Viet-Nam in 1934-38 amounted to 6,498,000 tons.
d. Irrigated paddy and upland paddy on irrigated fields only.
e. Calendar year, Tel quel and Estates only, excluding small holdings.
f. White sugar, raw basis; direct from cane refined from gur and khandasiri; excluding palm sugar production estimated at 115,000 tons annually.
g. Sweet potatoes only.
h. Java and Madura, Bali and Lambok.
i. Java and Madura only.
j. North Borneo and Sarawak only.
k. Including territory now under Pakistan.
m. Copra Fund purchases and unrecorded exports to Malaya: excludes unrecorded exports to the Philippines.
n. On estates.
p. Estate production including processed raw product purchased from native growers.
q. Area of Sunn hemp for fiber, green manure, and fodder.
s. Exports.
t. Statistical year ending 30 June.
u. Includes Cambodia.

E. RAILWAYS: LENGTH AND ROLLING STOCK

	Number of locomotives						Number of passenger cars					
	1938	1948	1951	1952	1953	1954	1938	1948	1951	1952	1953	1954
British Borneo												
Brunei	..	..	..	..	..	..	..	..	..	..	..	..
North Borneo	13[c]	11	16	16	16	..	44[c]	22	37	40	45	..
Sarawak	..	..	..	..	..	..	..	..	..	..	..	..
Burma	369	274	316	312	312	..	1,167	479	527	705	708	..
Cambodia	..	..	..	21	24	..	..	..	..	..	..	..
Ceylon	249	239	264	271	276	..	1,324	1,276	1,423	1,479	1,484	..
China (Taiwan only)	205	253	249	249	257	252[c]	496	456	613	595	568	569[e]
Hong Kong	17	16	16	16	16	16	44	34	34	34	34	34
India[a]	8,488[g]	8,194	8,615	8,572	8,587	8,497	26,338[g]	20,979	20,969	21,340	22,177	..
Indonesia	1,279	584[i]	940	1,004	1,019	..	3,600	2,021	2,627	2,948	2,822	..
Japan[b]	4,124	6,283	5,458	5,444	5,468	5,486	10,958	14,070	14,051	14,108	14,335	13,900
Korea (South)	478[f]	650	583	561	561	540[k]	1,038[f]	1,234[k]	976[k]	654[k]	654[k]	636[k]
Malaya	179[c]	201	188	188	189	191	405[c]	289	299	293	298	320
Pakistan	—	1,276	..	..	..	..	..	4,088	..	..	..	..
Philippines	160	92	101	113	112	..	397[m]	258	263	263	212	..
Thailand	200	339	438	456	431	374[p]	322	453	600	593	616	591[p]
Viet-Nam	..	..	..	..	114	..	..	..	..	..	..	..

	Number of freight cars						Length of railways (km)					
	1938	1948	1951	1952	1953	1954	1938	1948	1951	1952	1953	1954
British Borneo												
Brunei	..	..	..	..	..	..	..	..	..	..	..	..
North Borneo	156[c]	80	155	158	169	..	..	..	..	187	187	..
Sarawak	..	..	..	..	..	..	..	..	..	..	..	..
Burma	9,690	6,912	6,067	5,957	5,830	..	3,315	2,860	2,876	2,876	2,876	..
Cambodia	..	..	..	..	..	..	..	..	..	385	385	..
Ceylon	2,286	2,764	2,604	2,750	2,726	..	1,530[d]	1,439[d]	1,442[d]	1,442[d]	1,444[d]	..
China (Taiwan only)	4,654	5,703	5,411	5,470	5,453	5,496[e]	882	917	940	940	951	951[e]
Hong Kong	134	60	262	243	233	233	36[f]	36	36	36	36	36
India[a]	221,509[g]	214,320	212,861	215,798	224,938	..	..	..	..	49,226[h]	49,500[h]	..
Indonesia	27,236	16,690	22,083	22,639	24,053	..	7,332	3,665[j]	6,616	6,630	6,657	..
Japan[b]	69,940	107,716	105,862	109,500	106,626	106,732	17,934	19,752	19,786	19,850	19,903	20,008
Korea (South)	5,499[f]	4,865[k]	5,192	8,907	4,305[k]	4,497[k]	7,843	4,365	4,220	4,265	4,293	..
Malaya	5,776[c]	4,967	4,969	5,029	5,122	5,877	..	1,730	1,823	1,839	1,962	2,042
Pakistan	—	37,615	..	..	..	..	..	..	..	..	27,446	..
Philippines	2,239	1,970	2,309	2,324	2,114	..	1,385	866[n]	1,190	1,088	1,088	..
Thailand	3,833	5,383	6,115	6,168	6,423	6,223[p]	3,100	3,213	3,272	3,333	3,333	3,333[p]
Viet-Nam	..	..	..	..	..	..	..	..	..	936	936	..

General Notes: The time of year to which figures relate is the end of the working year. Pre-war data for Japan relate to 1936. Locomotives: all vehicles with engines or motor and motive power or with motors only. Passenger cars: all passenger carrying cars including railcars, baggage cars and railway-owned postal vans. Freight cars: all goods-carrying cars excluding baggage vans and cars used exclusively for service traffic.

a. Passenger cars and freight cars include service vehicles.
b. State Railways only.
c. 1941.
d. Broad gauge and narrow gauge.
e. End of October only.
f. 1937.
g. Including territory now under Pakistan.
h. Broad gauge and meter gauge.
i. Excluding locomotives under repair.
j. Federal area only.
k. Korean National Railway Record.
m. 1939.
n. Data for Manila Railroad Co. only.
p. End of September only.

F. ROADS: LENGTH AND MOTOR VEHICLES IN USE

	Length of roads (km)						Number of commercial motor vehicles ('000)					
	1938	1948	1951	1952	1953	1954	1938	1948	1951	1952	1953	1954
British Borneo Brunei	..	..	..	..	..	..	..	0.18	0.56	0.72	..	..
North Borneo	..	..	378	341	344	..	..	0.37	0.35	0.44	0.52	..
Sarawak	..	..	..	..	..	..	0.11	0.18	0.91	0.74	..	..
Burma	..	8,376	8,402	..	..	..	14.00	22.00	12.00	11.00	9.00	..
Cambodia	..	..	..	..	4,012	..	..	1.22	..	..	..	..
Ceylon	9,424	10,331	10,780	17,777[d]	17,873[d]	..	7.20	13.01	16.52	18.68	20.93	21.31
China (Taiwan only)	—	17,097	17,097	15,619	15,655	15,678	4,97[c]	5.62	9.12	10.71	14.52	17.64[d]
Hong Kong[a]	..	644	686	690	703	703	..	2.90	3.60	3.81	4.00	*4.15*
India	..	..	..	..	..	..	36.4	86.1	121.5	121.2	136.7	..
Indonesia	52,790	..	..	..	49,430	..	16.9	..	35.6	36.4	51.2	51.2
Japan[e]	119,990	131,923	137,099	140,657	..	..	80.1	108.2	174.8	195.1	210.6	..
Korea (South)	..	..	..	..	..	14,691	..	10.9	..	6.4[g]	8.3[g]	9.2[g]
Laos	..	..	..	..	..	..	..	0.30	..	..	..	..
Federation of Malaya[b]	..	9,753	9,759	9,761	10,043	10,043	6.52[c]	15.14	17.55	19.88	20.41	23.33
Singapore	..	546	..	649	..	..	3.02	7.03	8.34	9.56	9.93	
Pakistan	..	..	..	..	..	..	..	10.0	14.0	16.0	..	..
Philippines[b]	16,384	25,724	27,897	28,616	29,253	29,780	18.3[h]	51.4	53.2	53.8	54.5	..
Thailand[i]	2,751	5,758	5,945	6,147	6,371	..	5.13	2.92	5.01	8.17	11.57	..
Viet-Nam	..	..	..	..	..	..	..	6.09	..	..	..	..

	Number of passenger motor cars ('000)					
	1938	1948	1951	1952	1953	1954
British Borneo Brunei	..	0.05	0.30	0.35	..	..
North Borneo	..	0.16	1.19	1.46	1.18	..
Sarawak	0.19	0.16	0.80	0.62	..	..
Burma	6.90	10.9	7.7	9.7	12.4	..
Cambodia	..	0.94	..	..	..	..
Ceylon	21.04	27.60	40.03	45.55	49.76	50.80
China (Taiwan only)	3.01	1.64	2.25	2.58	3.26	3.00
Hong Kong[a]	..	6.39	10.39	11.64	13.0	*15.13*
India	88.1[f]	119.9	153.4	161.6	168.9	..
Indonesia	53.1	..	39.4	41.0	59.6	59.7
Japan[e]	46.2	21.3	44.8	59.3	89.9	..
Korea (South)	..	3.8	..	1.7[g]	2.4[g]	4.2[g]
Laos	..	0.20	..	..	..	..
Federation of Malaya[b]	20.45[c]	19.76	35.90	44.85	47.72	52.52
Singapore	10.18	12.71	24.27	29.57	31.99	
Pakistan	..	16.0	20.0	..	..	..
Philippines[b]	30.4[k]	34.6	50.1	50.0	50.9	..
Thailand[i]	5.1	6.5	10.8	14.3	16.8	..
Viet-Nam	..	12.01	..	..	..	..

General Notes: The time of year to which the figures relate is variable. Passenger motor cars relate to motor cars seating less than eight persons, including taxis but excluding motor-cycles. Commercial motor vehicles relate to lorries, buses, tractors, and semi-trailer combinations excluding trailers, farm and road tractors.

a. Commercial vehicles include government vehicles which in 1952 numbered 780.

b. Including government vehicles.

c. Pre-war figures relate to 1936. Small sized vehicles excluded.

d. Includes District Road and Committee Roads.

e. 1940. f. End of October only.

g. Korean National Railway Record.

i. Bangkok and Thonburi only.

SPECIAL TABLES — G. INTERNATIONAL TRANSACTIONS — *(Millions)*

	1951	1952	1953	First half 1953	First half 1954
BURMA (K.)					
Goods and services	292	278	86	143	128
Exports, f.o.b.	999	1,256	1,068	595	642[a]
Imports, c.i.f.	−652	−914	−850	−388	−452
Transportation and insurance	− 14	− 15	− 12	− 6	5
Government, n.i.e.	− 30	− 42	−112	− 50	− 56
Other	− 10	− 8	− 9	− 7	− 11
Private donations	− 49	− 42	− 40	− 20	− 17
Private capital	− 13	− 31	− 8	− 5	—
Official donations	22	35	21	12	5
Official and bank capital	−194	−220	− 77	−273	39
Long-term capital:					
Gold and U.S. dollar subscriptions to IMF and IBRD	− 4	—	—	—	—
Other	− 13	—	—	—	− 97[a]
Short-term capital:					
Liabilities	8	− 18	− 2	− 5	− 8
Sterling balances	−151	−162	− 46	−246	173
U.S. dollar balances	− 41	− 39	− 28	− 16	− 28
Other foreign assets	7	− 2	− 1	− 6	− 11
Monetary gold	—	—	—	—	—
Net errors and omissions	− 59	− 20	18	143	−154[b]
CEYLON (Rs.)					
Goods and services	168	−342	−103	−152[b]	*168*
Exports, f.o.b.	1,783	1,410	1,495	737[b]	*853*[b]
Imports, c.i.f.	−1,545	−1,707	−1,622	−824[b]	−646[b]
Transportation and insurance	30	39	94	− 41[b]	− 6[b]
Investment income	− 64	− 45	− 38	− 10	*− 19*
Other	− 38	− 39	− 32	− 14	*− 13*
Private donations	− 77	−104	− 59	− 35	*− 27*
Private capital	− 41	25	− 37	− 6	*− 30*
Official donations	—	—	3	3	—
Official and bank capital	−113	372	198	154	*− 99*
Long-term capital:					
Portfolio security holdings	− 77	− 8	263	189	*− 3*
U.K. loan repayment	1	2	2	1	—
Gold subscription to IMF and IBRD	− 4	—	—	—	—
Government borrowing in U.K.	—	—	—	—	62
Short-term capital:					
Liabilities	− 1	23	− 31	2	*21*
Foreign assets of Government and Central Bank	− 59	265	− 26	− 38	−179
Foreign assets of commercial banks	27	90	− 10		
Monetary gold	—	—	—	—	—
Net errors and omissions	65	49	− 2	36	*− 12*
CHINA (Taiwan only) ($)					
Goods and services	− 43.0	− 96.0	*− 80.9*	*− 53.6*	*− 48.6*
Exports, f.o.b.	102.3	119.5	*128.6*	*54.7*	*62.3*
Imports, c.i.f.	−146.7	−204.8	*−193.0*	*− 99.7*	*104.6*
Non-monetary gold movement	0.6	1.9	*1.6*	*0.9*	*0.6*
Transportation and insurance	1.2	− 1.0	*− 0.4*	*− 4.3*	*− 3.6*
Investment income	− 0.6	− 0.3	*− 0.2*	*− 0.1*	*− 0.1*
Government, n.i.e.	− 4.5	− 7.8	*− 8.4*	*− 3.9*	*− 1.9*
Other services	− 1.3	− 3.5	*− 3.1*	*− 1.2*	*− 1.5*
Private donations	2.2	1.7	*2.4*	*1.1*	*− 0.1*
Private capital	0.3	0.6	*2.7*	*0.7*	*6.6*
Official donations	61.9	94.6	*84.7*	*51.7*	*45.0*
Official and bank capital					
Long-term capital:	− 4.5	− 1.2	*2.3*	*4.5*	*1.1*
Loans: drawings	—	—	*5.5*	*5.5*	*2.0*
Loans: repayments	− 4.5	− 1.2	*− 3.2*	*− 1.0*	*− 1.9*
Portfolio securities	—	—	—	—	—
Other	—	—	—	—	*1.0*
Short-term capital:	− 11.0	—	*− 15.0*	*− 4.0*	*− 5.3*
Liabilities	− 2.2	− 0.5	—	—	*− 2.9*
Foreign assets	− 8.8	0.5	*− 15.0*	*− 4.0*	*− 2.4*
Monetary gold	− 0.6	− 1.9	*− 1.6*	*− 0.9*	*− 0.6*
Net errors and omissions	0.7	2.2	*5.4*	*0.5*	*1.9*
INDIA[c] (Rs.)					
Goods and services	−723	−270	*248*	−149	*− 15*
Exports, f.o.b.	7,495	6,491	*5,308*	2,514	*2,598*
Imports, c.i.f.	−8,624	−7,426	*−5,664*	−2,913	*−2,971*
Transportation and insurance	316	180	*190*	70	*111*
Investment income	−241	−112	*−117*	− 52	− 29
Government, n.i.e.	51	98	*117*	23	*56*
Other	280	−499	*414*	209	*220*
Private donations	134	168	*142*	73	*74*
Private capital	− 24	− 19	*− 81*	33	*− 31*
Official donations	14	119	*178*	80	*47*
Official and bank capital	1,094	710	*−341*	−103	*− 8*
Long-term capital:					
U.S. food loan	380	526	—	—	—
IBRD loans	48	27	*17*	6	*8*
Other	− 43	− 26	*− 30*	− 17	*21*
Short-term capital:					
Use of IMF resources	—	—	—	—	*−172*
Other liabilities	221	−423	*− 44*	88	*287*
Foreign assets	488	605	*−284*	−180	*−152*
Monetary gold	—	—	—	—	—
Net errors and omissions	−495	−708	*−146*	66	*− 67*
INDONESIA ($)					
Goods and services	128	−251	−137	..	− 98
Exports, f.o.b.	1261	905	859	..	319
Imports, c.i.f.	−892	−988	−772	..	−337
Investment income	− 41	− 27	− 55	..	− 40
Transportation and insurance	− 13	− 23	− 26	..	− 40
Non-trade transactions of oil companies	−107	− 53	− 55	..	
Other	− 80	− 65	− 88	..	
Private donations	..	..	..	..	..
Private capital	− 8	− 19	2	..	− 6
Official donations	1	7	3	..	1
Official and bank capital	−109	306	115	..	91
Long-term capital:					
Gold and U.S. dollar subscriptions to IMF and IBRD	—	—	—	..	− 18
Loans received	—	31	13	..	9
Other	39	48	− 20	..	− 7
Short-term capital:					
U.S. dollar assets, net	1	93	42	..	107
Other foreign assets, net	− 67	87	− 16	..	
Monetary gold	− 82	47	98	..	
Net errors and omissions	− 12	− 43	17	..	12
JAPAN ($)					
Goods and services	158	193	−226	−140	−351
Exports, f.o.b.[d]	1,354	1,276	1,258	618	716
Imports, f.o.b.	−1,645	−1,686	−2,050	−990	−1,213
Transportation and insurance	−227	−162	−183	− 88	−103
Government, n.i.e.[d]	623	786	802	352	286
Other (net)	53	− 21	− 53	− 32	− 37
Private donations	16	27	21	14	16
Private capital	34	38	− 18	− 29	16
Official donations	155	5	—	—	—
Official and bank capital	−372	−263	221	137	296
Long-term capital:					
Gold and U.S. dollar subscriptions to IMF and IBRD	—	− 68	—	—	—
Other	− 2	− 4	− 12	− 7	− 4
Short-term capital:					
Use of IMF resources	—	—	62	—	—
Other liabilities	− 8	43	101	15	108
Sterling balances	−157	− 51	125	204	− 4
U.S. dollar balances	−121	−174	− 30	− 81	263
Other foreign assets	− 79	− 21	− 23	8	− 65
Monetary gold	− 4	12	− 2	− 2	− 1
Net errors and omissions	8	—	2	18	24

G. INTERNATIONAL TRANSACTIONS *(Cont'd.)*

(Millions)

	1951	1952	1953	First half 1953	First half 1954
PAKISTAN[e] (Rs.)					
Goods and services	554	−802	−136	74	−117
Exports, f.o.b.	2,653	1,672	1,358	704	614
Imports, private[b]	−1,336	−1,696	−758	−411	−370
Transportation and insurance[b]	−137	−188	− 82	− 39	− 39
Government, n.i.e.	−549	−595	−646	−204	−305
Other	− 18	6	− 8	25	− 17
Private donations	− 25	− 25	− 31	− 15	− 19
Private capital	25	− 38	− 9	− 17	10
Official donations	− 2	4	272	10	40
Official and bank capital	−554	874	− 94	− 50	85
Long-term capital: Loans received	—	19	16	3	27
U.K. securities	−493	276	− 2	− 1	− 11
Short-term capital: Liabilities	− 12	3	− 4	14	− 1
Sterling balances	− 58	615	− 86	− 65	73
U.S. dollar balances	3	1	5	4	− 2
Other foreign assets	8	− 3	− 22	− 5	− 1
Monetary gold	—	− 37	—	—	—
Net errors and omissions	2	− 14	− 1	− 2	—
THAILAND ($)					
Goods and services	58.2	− 8.4	−60.7	−35.1	−42.5
Exports, f.o.b.	373.2	333.1	321.9	168.1	127.7
Imports, c.i.f.	−272.3	−299.6	−336.3	−173.6	−156.1
Non-monetary gold movement	−37.7	−29.4	−25.7	−17.6	− 7.7
Government, n.i.e.	− 6.6	− 1.6	− 2.3	− 2.0	− 0.6
Other	1.6	−10.9	−18.3	−10.0	− 5.8
Private donations	3.3	− .1	− 4.4	− 1.9	− 3.4
Private capital	..	..	..	..	..
Official donations	.4	3.0	4.5	2.4	1.0
Official and bank capital	−81.9	29.6	52.7	27.0	35.7
Long-term capital: Assets, Bank of Thailand	−66.4	52.3	5.2	2.0	2.3
Other	1.7	7.3	6.7	4.0	.6
Short-term capital: Liabilities	—	—	− 2.6	..	− 1.7
Sterling balances	20.4	43.7	34.3	31.0	− 6.2
U.S. dollar balances	−47.2	−79.9	15.1	−15.0	36.9
Other foreign assets	3.9	6.7	− 6.0	5.0	3.8
Monetary gold	5.7	− .5	—	—	—
Net errors and omissions	20.0	−24.1	7.9	7.6	9.2

	1951	1952	1953	First half 1953	First half 1954
PHILIPPINES (P.)					
Goods and services	−183	−106	− 72	− 15	− 31
Exports, f.o.b.	778	670	772	368	420
Imports, f.o.b.	−966	−862	−971	−443	−482
Transportation and insurance	− 99	−102	− 95	− 40	− 58
Investment income	− 61	− 37[f]	− 69	− 22[f]	− 4[f]
Government, n.i.e.	190	232	267	115	88
Other	− 25	− 7	24	7	5
Private donations	16	30	6	10	4
Private capital	10	44[f]	64	28[f]	− 1[f]
Official donations	30	52	39	28	16
Official and bank capital	97	− 20	15	9	− 37
Long-term capital	− 7	− 16	− 4	− 13	− 34
Short-term capital:					
Liabilities	− 2	− 4	—	9	2
Foreign assets	113	5	19	13	− 5
Monetary gold	− 7	− 5	—	—	—
Net errors and omissions	30	—	− 52	− 60	49

GENERAL NOTES: (1) No sign indicates credit while minus sign indicates debit. For foreign balances or foreign assets under short-term official and bank capital, no sign indicates decrease while minus sign indicates increase. (2) Figures for the first half of 1953 are not necessarily comparable with those for the full year 1953. (3) Statistics on goods and services except merchandise imports and exports are on a net basis.

a. Exports exclude proceeds used for repayment for a long-term debt to India. Other official long-term capital excludes this repayment to which "Net errors and omissions" are largely attributable.

b. Partly f.o.b. and partly c.i.f.

c. Other official and bank liabilities exclude recorded repatriation of rupee notes from abroad amounting to: 1949, 28; 1950, 126; 1951, 193; 1952, 288; 1953, 170. Short-term foreign assets include Reserve Bank's holdings of long-term securities.

d. Goods purchased by United Nations Forces under the special procurement programme are included in "Government, n.i.e.".

e. Excluding transactions with Afghanistan. Transactions with India are excluded until 27 February 1951 and those with Nepal and Tibet until 16 March 1951. Figures on "Government, n.i.e." include imports.

f. Excluding undistributed profits.

H. GOVERNMENT REVENUE AND EXPENDITURE

	Type of account	Total expenditure	Total revenue	Balance (+) or (−)
BRITISH BORNEO (Mn M$)				
Brunei				
1950	A	7.1	17.3	+10.2
1951	A	7.5	69.4	+61.9
1952	RE	12.9	75.6	+62.7
North Borneo				
1950	A	18.1	16.7	− 1.4
1951	A	23.1	25.0	+ 1.9
1952	A	30.9	23.4	− 7.5
1953	RE	28.3	23.0	− 5.3
Sarawak				
1950	A	20.9	30.1	+ 9.2
1951	A	27.1	44.2	+17.1
1952	A	34.6	53.6	+19.0
1953	RE	43.9	38.4	− 5.5
1954	DE	58.9	34.6	−24.3
BURMA (Mn K)				
1949/50	A	420	492	+ 72
1950/51	A	518	553	+ 35
1951/52	A	570	664	+ 94
1952/53	RE	997	794	−203
1953/54	RE	1,290	1,003	−287
1954/55	DE	1,349	1,080	−269
CAMBODIA (Mn Pr)				
1952	A	1,049	918	−131
1953	RE	1,290	1,290	—
1954	E	1,670	1,670	—
CEYLON (Mn Rs)				
1949/50	A	674	603	− 71
1950/51	A	838	813	− 25
1951/52	A	1,100	847	−253
1952/53	A	1,018	846	−172
1953/54	RE	902	868	− 34
1954/55	E	935	901	− 34
HONG KONG (Mn HK$)				
1949/50	A	174	255	+ 81
1950/51	A	241	281	+ 40
1951/52	A	269	296	+ 27
1952/53	A	299	371	+ 72
1953/54	RE	315	371	+ 56
1954/55	DE	395	371	− 24
INDIA (Mn Rs)				
Central Government				
1949/50	A	5,100	4,127	−973
1950/51	A	5,546	5,041	−505
1951/52	A	6,178	6,208	+ 30
1952/53	A	6,208	5,100	−1,108
1953/54	RE	7,499	4,825	−2,674
1954/55	DE	9,575	5,197	−4,378
States				
1950/51	A	4,224	3,708	−516
1951/52	A	4,324	3,800	−524
1952/53	A	4,244	3,887	−357
1953/54	RE	4,700	4,148	−552
1954/55	DE	4,727	4,204	−523
INDONESIA (Mn Rp)				
1951	A	10,922	11,824	+902
1952	A	15,322	12,198	−3,124
1953	A	16,023	13,710	−2,313
1954	DE	13,512	10,971	−2,541

	Type of account	Total expenditure	Total revenue	Balance (+) or (−)
JAPAN (1,000 Mn Y)				
1949/50	A	763	713	− 50
1950/51	A	746	655	− 91
1951/52	A	1,005	808	−197
1952/53	A	1,169	927	−242
1953/54	A	1,324	980	−344
1954/55	E	1,176	959	−217
KOREA (Republic) (Mn H)				
1949/50	A	800	400	−400
1950/51	A	2,900	900	−2,000
1951/52	A	5,900	6,700	+800
1952/53	A	21,600	22,100	+500
1953/54	RE	72,000	40,800	−31,200
LAOS (Mn Pr)				
1951	RE	221	136	− 85
1952	RE	274	231	− 43
1953	RE	509	359	−150
1954	E	632	358	−274
MALAYA (Mn M$)				
Federation				
1950	A	273	415	+142
1951	A	431	732	+301
1952		716 E	792 A	..
1953		837 E	746 RE	..
1954	DE	1,020	593	−427
Singapore				
1950	A	95	114	+ 19
1951	A	125	175	+ 50
1952	RE	163	200	+ 37
1953	RE	173	220	+ 47
1954	DE	237	205	− 32
PAKISTAN (Mn Rs)				
Central Government				
1949/50	A	1,155	898	−257
1950/51	A	1,146	1,289	+143
1951/52	A	1,645	1,485	−160
1952/53	A	1,808	1,307	−501
1953/54	RE	2,043	1,096	−947
1954/55	DE	2,082	1,144	−938
PHILIPPINES (Mn P)				
1949/50	A	534	381	−153
1950/51	A	523	510	− 13
1951/52	A	635	752	+117
1952/53	A	660	700	+ 40
1953/54	E	746	706	− 40
1954/55	DE	770	817	+ 47
THAILAND (Mn Baht)				
1949	A	1,890	1,920	+ 30
1950	A	2,270	2,137	−133
1951	A	3,232	2,518	−714
1952	A	4,269	3,338	−931
1953	A	4,866	3,934	−932
1954	E	5,677	4,192	−1,485
VIET-NAM (Mn Pr)				
1953	DE	5,764	4,597	−1,167
1954	E	20,697	5,333	−15,364

I. MAJOR COMPONENTS OF TAX REVENUE

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licenses, stamp duties, registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
BRITISH BORNEO (Mn MS)											
Brunei											
1950	A	17.3	16.1	—	—	2.7	..	..	0.1	0.1	13.2
1951	A	69.4	67.4	40.0	—	2.8	2.3	0.5	0.1	0.1	24.4
1952	RE	75.6	71.8	41.6	—	3.1	2.9	0.2	0.1	0.1	26.9
North Borneo											
1950	A	16.7	12.5	..	—	11.1	7.1	4.0	—	..	1.3
1951	A	25.0	20.2	..	—	16.4	6.3	10.1	—	..	3.8
1952	A	23.4	16.8	..	—	12.0	..	..	—	..	4.8
1953	RE	23.0	17.2	..	—	11.6	..	..	—	..	5.6
Sarawak											
1950	A	30.1	24.5	0.1	—	22.6	13.9	8.7	0.3	1.3	0.1
1951	A	44.2	38.7	0.2	—	36.1	12.3	23.8	1.1	1.2	0.1
1952	A	53.6	45.1	19.7	—	23.8	..	..		1.6	
1953	RE	38.4	32.4	9.3	—	21.6	..	..		1.5	
1954	DE	34.6	28.3	9.0	—	17.8	11.0	6.8	..	1.5	
BURMA (Mn K)											
1949/50	A	492	402	49	9	112	100	11	47	9	175
1950/51	A	553	493	45	14	172	158	13	64	10	188
1951/52	A	664	600	52	19	202	193	9	62	11	255
1952/53	RE	794	718	51	22	190	180	13	87	10	358
1953/54	RE	1,003	918	62	23	229	215	14	98	11	495
1954/55	DE	1,080	986	70	25	242	224	18	110	12	527
CAMBODIA (Mn Pr)											
1952	A	918	848	74	54	596	..	..		118	6
1953	RE	1,290	1,094	89	50	709	..	..	159	—	87
1954	E	1,670	1,278	106	67	832	..	..	184	—	89
CEYLON (Mn Rs)											
1949/50	A	603	538	133	—	356	138	167	44	6	—
1950/51	A	813	737	152	—	528	245	283	49	8	—
1951/52	A	847	770	223	—	487	260	227	50	10	—
1952/53	A	846	768	250	—	444	251	193	61	13	—
1953/54	RE	868	776	229	—	471	240	231	63	13	—
1954/55	E	901	817	237	—	514	274	240	52	14	—
HONG KONG (Mn HK$)											
1949/50	A	255	161	58	—	—	—	—	69	..	34
1950/51	A	281	185	76	—	—	—	—	72	..	37
1951/52	A	296	208	82	—	—	—	—	78	..	48
1952/53	A	371	269	..	—	—	—	—	74	..	..
1953/54	RE	371	271	..	—	—	—	—	70	..	..
1954/55	DE	371	266	154	—	—	—	—	70	..	42
INDIA (Mn Rs)											
Central Government											
1949/50	A	4,127	3,115	1,154	5	1,249	1,003	257	689	20	—
1950/51	A	5,041	3,590	1,257	20	1,572	1,077	474	716	26	—
1951/52	A	6,208	4,607	1,347	29	2,317	1,416	907	884	30	—
1952/53	A	5,100	3,708	1,283	5	1,738	1,181	560	670	14	—
1953/54	RE	4,825	3,479	1,077	5	1,600	1,193	403	782	16	—
1954/55	DE	5,197	3,747	1,093	5	1,750	1,342	405	884	16	—
States											
1950/51	A	3,708	2,695	518	496	—	—	—	1,124	558	—
1951/52	A	3,800	2,799	570	480	—	—	—	1,142	607	—
1952/53	A	3,887	2,973	609	559	—	—	—	1,192	614	—
1953/54	RE	4,148	3,181	604	676	—	—	—	1,220	682	—
1954/55	DE	4,204	3,190	625	718	—	—	—	2,206	641	—
INDONESIA (Mn Rp)											
1951	A	11,824	5,846	1,344	9	2,713	1,404	1,309	1,615	..	166
1952	A	12,198	6,967	1,750	11	3,215	1,396	1,819	1,809	..	183
1953	A	13,710	6,701	1,961	10	2,495	1,283	1,212	2,049	..	186
1954	DE	10,971	5,657	1,441	11	1,772	1,050	722	1,944	..	483
JAPAN (1,000 Mn Y)											
1949/50	A	713	600	344	—	1	1	—	128	9	118
1950/51	A	655	454	311	—	2	..	..	132	9	—
1951/52	A	808	600	421	—	13	..	..	156	10	—
1952/53	A	927	702	468	—	21	..	..	198	13	1
1953/54	A	980	758	486	—	34	..	..	220	18	—
1954/55	E	959	772	484	—	25	..	..	239	23	—

SPECIAL TABLES

I. MAJOR COMPONENTS OF TAX REVENUE *(Cont'd.)*

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licenses, stamp duties, registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
KOREA (Republic) (Mn H)											
1949/50	A	400	100	..	..	..	..	..	..	..	..
1950/51	A	900	400	..	..	..	..	..	..	..	..
1951/52	A	6,700	3,900	..	..	..	..	..	..	..	..
1952/53	A	22,100	9,700	1,500	2,900	1,400	..	..	3,700	200	..
1953/54	RE	40,800	23,800	4,100	6,200	3,600	..	..	9,700	200	..
LAOS Mn Pr)											
1951	RE	136	131	..	..	..	..	..	..	1	..
1952	RE	231	222	17	..	119	110	9	73	2	..
1953	RE	359	338	15	..	236	..	..	85	2	..
1954	E	358		9	..	260	..	..	..	..	..
MALAYA (Mn M$)											
Federation											
1950	A	415	376	49	—	303	148	155	6	18	—
1951	A	732	682	130	—	517	218	229	10	26	—
1952	A	792	685	229	—	397	207	191	21	29	11
1953	RE	646	538	161	—	313	202	111	19	29	16
1954	DE	593	485	115	—	305	214	91	19	32	14
Singapore											
1950	A	114	89	29	—	—	—	—	52	7	..
1951	A	175	135	55	—	—	—	—	69	12	..
1952	RE	200	164	77	—	—	—	—	75	12	..
1953	RE	220	177	90	—	—	—	—	75	12	..
1954	DE	205	160	74	—	—	—	—	74	12	..
PAKISTAN (Mn Rs)											
Central Government											
1949/50	A	898	713	116	22	422	..	..	165	8	—
1950/51	A	1,289	1,102	134	2	787	..	..	163	11	5
1951/52	A	1,485	1,267	172	2	822	..	..	244	11	16
1952/53	A	1,307	1,047	176	2	612	..	..	225	14	18
1953/54	RE	1,096	812	172	2	368	..	..	241	13	17
1954/55	DE	1,144	818	158	3	377	..	..	269	15	18
PHILIPPINES (Mn P)											
1949/50	A	381	329	61	—	26	26	—	120	123	—
1950/51	A	510	443	98	—	26	26	—	169	150	—
1951/52	A	752	655	123	—	32	32	—	313	187	—
1952/53	A	700	601	129	—	28	28	—	281	163	—
1953/54	E	706	636	120	—	25	25	—	310	182	—
1954/55	DE	817	745	160	—	48	48	—	324	213	—
THAILAND (Mn Baht)											
1949	A	1,920	..	112	—	594	454	140	..	94	..
1950	A	2,137	..	147	—	747	577	170	..	118	..
1951	A	2,518	..	170	—	977	726	251	..	148	..
1952	A	3,338	..	308	—	1,188	976	212	..	242	..
1953	A	3,934	..	301	—	1,296	1,056	240	..	305	..
1954	E	4,192	..	541	—	1,302	1,069	233	..	312	..
VIET-NAM (Mn Pr)											
1953	DE	4,597	..	362	..	*3,180*	..	..	..	..	..
1954	E	5,333	..	..	..	*3,282*	..	..	..	..	..

GENERAL NOTES: For tables H, I and J.

A=Accounts, E=Estimates, DE=Draft estimates, RE=Revised estimates, PA=Provisional accounts.

Figures generally relate to central government transactions only. For India and Pakistan, the transactions of the state governments are also given. To avoid duplication, transfers (interest payments, contributions and loans) from and to the central government are excluded from the state transactions.

In general, only the net results of public enterprises and fiscal monopolies are included; positive balances are shown under revenue and negative balances under expenditure. Currency and mint transactions are excluded. Expenditure includes interest payments before deduction of interest charges to public enterprises and entities; revenue correspondingly includes receipts from these charges.

Revenue

Total revenue excludes proceeds from loans, other forms of borrowing and transfers from reserve funds.

Customs duties: divergence between the total under this heading and the sum of the sub-items, import duties and export duties, is due mainly to the inclusion or exclusion arising from land customs, customs on postal parcels, special taxes and refunds.

Transactions and consumption taxes: excise duties, turnover taxes, sales taxes and entertainment duties.

Expenditure

Total expenditure includes current as well as capital outlays and loans and advances (net) granted by the government but it excludes debt redemption, contributions to sinking funds and transfers to reserve funds.

Defence: Expenditure of the military departments plus capital outlay for defence purposes. Expenditure on military pensions is included in "other current expenditure".

Economic services: only the current expenditure on agriculture, industrial development, scientific and technical research, irrigation, forests, ports, lighthouses, commerce, planning etc.

Social services: education, health, social welfare, relief, etc.

Contributions to provincial ad local governments cover only the contributions towards meeting current expenditures.

Investment: in general, public works expenditures on gross basis (i.e. including maintenance), capital outlays of government enterprises and departments and grants to provinces and local authorities for the same purpose.

Loans and advances (net): mainly granted to provinces, local authorities and public and private udertakings for capital outlay.

J. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE

	Type of account	Total expenditure	Defence	Subsidies	Economic services	Social services	Contributions to provincial and local gov'ts	Other current expenditure	Investment	Loans advances and (net)
BRITISH BORNEO (Mn M$)										
Brunei										
1950	A	7.1	—	—	0.2	0.5	—	3.4	3.0	..
1951	A	7.5	—	—	0.3	0.7	—	3.6	2.9	..
1952	RE	12.9	—	—	0.3	1.0	—	5.4	6.2	..
North Borneo										
1950	A	18.1	—	—	0.8	1.2	—	6.4	9.7	..
1951	A	23.1	—	—	..	..	—	10.5	12.6	
1952	A	30.9	—	—	..	..	—	13.9	17.0	
1953	RE	28.3	—	—	..	..	—	14.2	14.1	
Sarawak										
1950	A	20.9	0.1	—	1.7	2.0	—	8.8	8.1	0.2
1951	A	27.1	0.1	—	2.3	2.9	—	9.4	12.2	0.2
1952	A	34.6	0.1	—	3.1	3.5	—	11.4	16.5	..
1953	RE	43.9	0.2	—	4.3	4.3	—	15.0	20.1	..
1954	DE	58.9	0.1	—	4.7	5.1	—	14.3	34.7	..
BURMA (Mn K)										
1949/50	A	420	118	—	25	22	15	184	46	10
1950/51	A	518	137	—	28	37	18	206	85	9
1951/52	A	570	202	—	40	57	19	168	107	— 23
1952/53	RE	997	311	—	39	87	23	219	157	160
1953/54	RE	1,290	357	—	55	101	30	241	279	227
1954/55	DE	1,349	396	—	61	132	32	236	226	266
CAMBODIA (Mn Pr)										
1952	A	1,049	299	..	..	..	..	..	..	..
1953	RE	1,290	457	..	..	..	..	..	..	..
1954	E	1,670	835	..	..	..	..	..	..	..
CEYLON (Mn Rs)										
1949/50	A	674	4	36	77	186	..	187	185	
1950/51	A	838	7	132	87	209	33	186	185	
1951/52	A	1,100	13	239	114	241	37	206	249	
1952/53	A	1,018	15	127	120	254	33	206	263	
1953/54	RE	902	20	—	116	260	24	228	254	
1954/55	E	935	23	—	118	258	26	210	300	
HONG KONG (Mn HK$)										
1949/50	A	174	4	—	9	18	—	110	32	—
1950/51	A	241	2	—	10	20	—	175	34	—
1951/52	A	269	2	—	13	26	—	185	42	—
1952/53	A	299	35	—	17	35	—	156	56	—
1953/54	RE	315	26	—	18	40	—	172	59	—
1954/55	DE	395	28	—	21	45	—	188	113	—
INDIA (Mn Rs)										
Central Government										
1949/50	A	5,100	1,644	297	161	172	30	1,296	945	566
1950/51	A	5,546	1,792	351	201	157	156	1,303	1,020	576
1951/52	A	6,178	1,851	300	..	..	333	1,865	1,078	751
1952/53	A	6,208	1,887	48	..	..	495	1,822	904	1,052
1953/54	RE	7,499	2,077	23	..	..	522	2,011	1,282	1,584
1954/55	DE	9,575	2,211	5	..	..	971	2,216	1,975	2,198
States										
1950/51	A	4,224	—	..	629	856	—156	1,937	1,289	—334
1951/52	A	4,324	—	..	676	896	—333	2,059	1,417	—391
1952/53	A	4,244	—	..	713	967	—367	2,119	1,608	—796
1953/54	RE	4,700	—	..	944	1,051	—471	2,280	1,978	—1,082
1954/55	DE	4,727	—	..	999	1,191	—600	2,371	2,467	—1,701
INDONESIA (Mn Rp)										
1951	A	10,922	3,209	..	240	1,273	..	5,688	452	..
1952	A	15,322	3,817	..	1,114	1,705	..	7,878	807	..
1953	A	16,023	3,876	..	987	1,618	..	8,961	581	..
1954	DE	13,512	3,000	..	1,077	1,649	1,199	6,087	500	..
JAPAN (1,000 Mn Y)										
1949/50	A	763	96	170	..	68	98	158	173	
1950/51	A	746	112	60	..	..	108	190	166	110
1951/52	A	1,005	115	27	..	..	120	340	192	211
1952/53	A	1,169	102	52	..	..	145	338	243	290
1953/54	A	1,324	123 E	23	..	..	137	359	325	357
1954/55	E	1,176	137	9	..	..	130	472	428	
KOREA (Republic) (Mn H)										
1949/50	A	800	300	..	..	..	..	500	..	..
1950/51	A	2,900	1,600	..	..	..	..	1,300	..	..
1951/52	A	5,900	4,100	..	..	..	..	1,800	..	..
1952/53	A	21,600	12,300	..	..	..		9,300	..	..
1953/54	RE	72,000	45,100	10,100	3,400	2,200	2,100	9,100	..	..

SPECIAL TABLES

J. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE *(Cont'd.)*

	Type of account	Total expenditure	Defence	Subsidies	Economic services	Social services	Contributions to provincial and local gov'ts	Other current expenditure	Investment	Loans advances and (net)
LAOS Mn Pr)										
1951	RE	221	—	—	10	70	..	74	63	5
1952	RE	274	—	26	12	78	..	80	90	16
1953	RE	509	—	38	16	107	24	157	127	40
1954	E	632	—	—	..	110	30	..	160	46
MALAYA (Mn M$)										
Federation										
1950	A	273	8	—	13	18	79	124	31	—
1951	A	431	17	—	19	21	92	128	154	—
1952	E	716	161	—	34	113	—	261	147	
1953	E	837	197	—	35	129	—	274	203	
1954	DE	1,020	214	—	39	147	—	339	281	
Singapore										
1950	A	95	3	—	3	17	—	58	14	..
1951	A	125	4	—	4	30	—	74	14	..
1952	RE	163	7	—	12	39	—	86	20	..
1953	RE	173	5	—	12	45	—	86	25	..
1954	DE	237	17	—	14	61	—	99	46	..
PAKISTAN (Mn Rs)										
Central Government										
1949/50	A	1,155	627	—	17	11	20	189	102	190
1950/51	A	1,146	674	—	22	11	10	232	84	113
1951/52	A	1,645	858	—	..	..	33	337	315	102
1952/53	A	1,808	951	50	..	..	41	386	274	96
1953/54	RE	2,043	780	10	..	..	85	378	356	434
1954/55	DE	2,082	775	10	..	..	114	408	459	316
PHILIPPINES (Mn P)										
1949/50	A	534	102	..	..	175	37	125	96	..
1950/51	A	523	125	..	..	174	29	102	92	..
1951/52	A	635	182	..	..	176	37	115	125	..
1952/53	A	660	167	..	..	184	49	125	135	..
1953/54	E	746	161	..	..	214	50	126	195	..
1954/55	DE	770	168	..	..	214	51	136	201	..
THAILAND (Mn Baht)										
1950	A	2,270	313	..	240	185	..	..	258	..
1951	A	3,232	456	..	759	246	..	..	903	..
1952	A	4,269	844	..	781	319	..	..	834	..
1953	A	4,866	940	..	656	487	..	..	1,214	..
1954	E	5,677	1,020	..	1,233	569	..	..	1,485	..
VIET-NAM (Mn Pr)										
1953	DE	5,764	4,091	..	..	51	..	..	..	..
1954	E	20,697	17,000	..	..	56	..	..	..	..

SOURCES for tables H, I and J.

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Pakistan: Budgets of the Central Government of Pakistan, 1949/50 to 1954/55; Demands for grants, 1950/51 to 1954/55; Explanatory memorandum on the budget 1952/53 to 1954/55.

Philippines: Budgets for 1952 to 1954/55.

Thailand: Ministry of Finance.

Viet-Nam: Material supplied by the Government.

COUNTRY NOTES: for tables H, I and J.

British Borneo:

Brunei: Investment expenditure: public works expenditure.

Revenue: Other tax revenue: mining rent and oil royalties.

North Borneo: Expenditure: includes reconstruction and development expenditure; investment expenditure: public works and expenditure on reconstruction and development and war damage compensation payments.

Total revenue: excludes grants-in-aid and colonial development and welfare grants from the United Kingdom Government.

Other tax revenues include estate duties, income tax, poll tax and residence tax.

Sarawak: Expenditure: includes net expenditure from reconstruction and development fund; investment: public works, war damage compensation and reconstruction and development.

Revenue: Transactions and consumption taxes: Excise duties which average around M$0.5 million per year have since 1952 been included in import duties.

Other tax revenue: includes lotteries tax, head tax, etc.

Burma:

Expenditure: 1949/50 and 1950/51: includes the net results of railways, civil supplies and electricity. From 1951/52 onwards they are omitted following the creation of separate boards. 1951/52 and 1952/53: excludes K 80 Mn each year for subscription to the International Bank and Fund; 1952/53, 1953/54 and 1954/55: excludes K 20 Mn, K 6 Mn and K 5 Mn respectively for payments under ECA Agreements. 1953/54: excludes K 97.3 Mn and K 87.0 Mn for repayment of debt to the United Kingdom and India respectively.

Loans and advances: 1951/52 and later: include loans and advances to the Railway and Electricity Boards for meeting deficits and capital outlays. Losses on the operation of these enterprises were in previous years included in current expenditure and their capital outlays in investment.

Revenue: 1949/50 to 1950/51: includes the rehabilitation contribution of the Marketing Boards to the National Development Fund. 1951/52: includes proceeds from the sale of civil supplies stocks. 1952/55 to 1954/55: includes contributions from the Marketing Boards for capital outlay.

Transaction and consumption taxes: excise duties plus "commercial taxes"; the latter including entertainment tax, hotel and restaurant tax, business premises ax and sales tax. Licenses, stamp duties, etc.: include betting and motor vehicle taxes. Other tax receipts: net receipts from lottery, the rehabilitation contribution, and the contribution to the National Development Fund (1949/50 to 1950/51) and for capital outlay (1952/53 and later) from the State Agricultural Marketing and State Timber Boards.

Cambodia:

Defence expenditure includes contributions by France.

Revenue excludes contributions and reimbursements. Customs duties include state monopolies.

Ceylon:

Transactions include net results of railway and electricity departments.

Expenditure: includes loan fund expenditure. Defence: excludes capital outlay met from loan fund expenditure. Subsidies: food subsidies. Investment: public works outlay and loan fund expenditure; the latter including capital outlay on defence.

Revenue: includes interest received on war loan to the United Kingdom.

Hong Kong:

Expenditure: includes debt redemptions 1949/50 and 1950/51: expenditure from rehabilitation loan not available. 1951/52 and later: includes expenditure from rehabilitation loan and development fund.

Investment: public works, colonial development and welfare schemes and expenditure from rehabilitation loan and development fund. Loans and advances: housing loans from development fund.

Revenue: Customs: there is no general customs tariff in Hong Kong, import duties being confined to liquor, tobacco, hydrocarbon oils, toilet articles, proprietary medicines and table waters. Taxes on income and wealth: taxes on assessed rateable values and earnings and profits tax. Other tax revenue: internal revenue consisting of taxes on betting, business registration, dance halls, entertainments, estate, restaurant meals and liquors and stamp duties.

India:

Central Government: transactions of state trading schemes are excluded.

Expenditure: includes that from railway, postal and special development funds and loans granted to States met from withdrawals from Special Development Funds; excludes state trading schemes. 1949/50: excludes additional subscription to the International Bank and Fund on the devaluation of the Indian rupee (Rs. 791.2 Mn). 1950/51: excludes transfer to the contingency fund (Rs. 150 Mn) and payment to Pakistan for its share of the payments to the International Bank and Fund (Rs 26.2 Mn). Subsidies: losses on imported and locally procured foodgrains. 1951/52: approximate figure.

States: Contributions to provincial and local governments: data from Central Government budgets. Investment: gross investment less grants from the Central Government for development. Loans and advances: to municipalities and local boards less loans from the Central Government. The latter figures from the financial accounts of States do not reconcile with figures from central budgets.

Revenue: includes provision for depreciation, etc. of public enterprises. 1953/54 and 1954/55: excludes Rs. 180 Mn and Rs. 90 Mn respectively as part of the pre-Partition debt to be repaid by Pakistan to India.

Central Government: taxes on income and wealth: exclude share of income taxes payable to the states. Customs: exclude customs revenue assigned to the states. Transactions and consumption taxes: include net revenue from opium monopoly.

States: Total revenue excludes loans and grants received from the central government. Taxes on income and wealth: include agricultural income taxes. Transactions and consumption taxes include excise taxes transferred from the central excise revenue.

Indonesia:

Expenditure on economic services: 1951: current and capital outlays on agriculture are included in "other current expenditure". Contributions to provincial and local governments: figures for 1951-1953 are included in "other current expenditure". Investment: comprises current and capital expenditure on government buildings only.

Japan:

Data relate to the General Fund but include net deficits or net surpluses of the Special Accounts and government enterprises transferred from or to the General Fund. Profits derived from commercial operations or from lending to private concerns, which were not transferred to the General Fund, were excluded from revenue; to the extent of this exclusion, therefore, revenue is underestimated. Total expenditure: expenditure from General Account, U.S. Aid Counterpart fund, Trust Fund Bureau, Industrial Investment Special Account. Expenditure for the purchase of foreign exchange amounting to Y35,000 million for 1952/53 and Y80,000 million for 1951/52 is excluded.

1953/54: Defence expenditure (Y62,000 Mn) + National Safety Agency (Y61,000 Mn) = Total (Y123,100 Mn).

1954/55: Defence expenditure (Y58,480 Mn) + National Safety Agency (Y78,830 Mn) = Total (Y137.310 Mn).

Subsidies: price stabilization subsidies (for 1951/52 including subsidies for iron and steel and fertilizers). 1952/53 figure includes outlay to cover losses on special account for foodstuff control: Y11,500 Mn.

Social Services: Facilities for education, expenditure for housing, social relief expenditure, social insurance, tuberculosis expenditure, unemployment expenditure, relief for war widows, pension for soldiers, expenditure for government schools, etc.

Investment: includes General Account expenditure on public works and capital outlay of the National Railways and the Telegraph and Telephone Corporation.

Loans and advances: include grants and loans to government-owned enterprises, private industries and agriculture for the expansion of production and also include subscription to bonds of local governments and financial institutions.

Revenue: Excludes carry-over from the preceding year. Taxes on income and wealth: taxes on income, corporation, extraordinary profits, inheritance, capital and revaluation of assets. Customs: customs and tonnage duties.

Transaction and consumption taxes: taxes on liquor, sugar, gasoline, commodities, securities and transportation. Other tax revenue: monopoly profits.

Korea (Republic of):

Expenditure: General Account expenditure includes transfers to Special Account to cover operating deficits and overdrafts at the Bank of Korea, debt service and War Account. Defence: includes expenditure for veterans services, national police and grain allowances for dependents.

Other tax revenue: monopoly profits.

Laos:

Expenditure: excludes military expenditure. Investment: public works only.

Revenue excludes contributions and reimbursements. Customs exclude excise taxes on imported products. Licenses, stamp duties, etc.: only registration fees.

Malaya (Federal Government only)

Defence expenditure: excludes expenditure financed directly by the United Kingdom but includes emergency and resettlement expenditure.

Investment: 1954: includes development expenditures against projected loan issues.

Revenue: Transfers from federal revenues to the States are eliminated. They are: 1952: M$149.9 Mn; 1953: M$167.5 Mn: and 1954: M$178.7 Mn.

Singapore:

Expenditure: 1950 to 1952: includes expenditure from the 3 per cent 1946 Rehabilitation Loan. Investment: expenditure on public works, colonial development and welfare schemes and from 3 per cent 1946 Rehabilitation Loan.

Taxes on income and wealth: income and estate taxes. Transaction and consumption taxes: entertainment, liquor, petroleum and tobacco taxes. Licences, stamp duties, etc.; stamp duties, betting, totalizator and miscellaneous taxes.

Pakistan:

Central Government: Transaction in respect of state trading schemes excluded.

Expenditure: includes that from railway, postal, development and other funds: excludes currency capital outlays. 1949/50: capital outlays and loans and advances are revised estimates. 1953/54: excludes Rs. 50 million provision for the payment of part of the pre-Partition debt to India.

Subsidies: 1953: loss on cotton price support scheme. 1954 and 1955: loss on jute price support scheme. Social services: excluding expenditure on refugees. Contributions to provincial and local governments: mainly grants for development but also general grants for meeting current expenditure. Loans and advances: 1954/55: includes Rs. 115.0 Mn and Rs. 121.2 Mn to East Bengal and Punjab respectively to enable them to clear their outstanding liabilities.

Revenue: Total revenue includes provisions for depreciation, etc. of public enterprises but excludes the receipts from the sales of foreign aid fund supplies. Total tax revenue excludes taxes transferred to State governments: 1952: Rs. 170 Mn: 1953: Rs. 189 Mn; 1954: Rs. 176 Mn and 1955: Rs. 185 Mn. 1954/55: Total tax revenue excludes Rs. 22 Mn on account of tax concessions.

Other taxes: taxes and duties levied under the Supplementary Finance Act of 1950. 1953/54: includes the net result of tax proposals in the Budget.

Philippines:

Trasactions cover general, special and fiduciary funds; include apportionment to local governments. Public enterprises are excluded.

Expenditure on economic services: included in investment expenditure. Investment: includes current expenditures on economic services, excludes capital outlay of public enterprises.

Total tax revenue: includes revenue apportionment to local governments. Taxes on income and wealth: franchise, income, residence, immigrants, estates and inheritance and war profits taxes. Transaction and consumption taxes; gasoline taxes credited to National Highways Fund and excise taxes. Licenses, stamp duties, etc.: motor vehicles taxes credited to the Motor Vehicles Fund, licence fees for business and occupations, documents stamp tax, tonnage dues and forest products taxes.

Thailand:

Figures are original data as supplied by Ministry of Finance without attempt at reclassification.

Revenue: Taxes on income and wealth: include also motor vehicle taxes.

Viet-Nam:

Defence expenditure includes contributions by France.

Revenue excludes contributions and reimbursements. Customs duties include excise revenue and revenue from fiscal monopolies.

	Burma	Ceylon[a]	China (Taiwan only)	Hong Kong	India[b]	Indonesia	Japan	Korea[c] (South)	Malaya	Pakistan	Philippines	Thailand[d]
	Mn. K.	Mn. Rs	Mn. NT$	Mn HK$	1,000 Mn. Rs	Mn. Rp.	1,000 Mn. yen	Mn. US$	Mn. M$	Mn. Rs.	Mn. P.	Mn. Baht
1938	1,213	595	724	..	..	2,700	20	..	..	..	..	855
1947	2,631	2,288	..	1,544	..	..	968	..	3,198	..	5,579	14,407
1948	3,132	2,627	..	1,740	86.5	..	1,962	..	3,221	*16,919*	5,713	16,668
1949	2,901	2,673	1,367	2,275	90.1	..	2,737	1,770	3,022	16,711[a]	5,668	20,064
1950	2,744	3,840	8,146	..	95.3	..	3,361	..	4,849	..	6,169	23,377
1951	3,199	4,507	11,028	..	*99.9*	70,015	4,535	..	..	..	6,816	24,978
1952	3,520	4,422	16,299	..	94.1	81,204	5,195	1,384	..	..	6,952	26,022
1953	3,928	4,408	20,631	..	100.8	..	5,965	1,721	..	..	*7,375*	..

Sources and time reference: see Table N.
a. gross national product at factor cost; b. for 1952-53 national income at 1948 prices, the 1951 figure at 1948 prices being 89.9; c. gross national product at market prices; d. net domestic product at factor cost.

L. INDUSTRIAL ORIGIN OF NET DOMESTIC PRODUCT

Country and Year	Total	Agriculture, forestry, fishing	Mining	Manufacturing	Construction	Transportation, communication, utilities	Wholesale and retail trade	Ownership of dwelling	Public administration and defence	Other services
China (Taiwan only) (Mn. NT$, at 1937 value)										
1937	842	304	31	182	15	63	145	..	43	59
1949	718	279	25	119	15	71	120	..	24	65
1950	895	344	23	115	16	75	137	..	117	68
1951	887	350	25	105	16	79	138	..	110	64
1952	976	372	29	140	19	83	155	..	110	68
1953	1,101	414	32	172	19	94	177	..	121	72
India (1,000 million rupees)										
1948	86.7	42.5[a]	0.6	14.2		15.5		3.9	4.0	6.0
1949	90.3	44.9	0.6	14.4		16.0		4.0	4.1	6.3
1950	95.5	48.9	0.7	14.6		16.2		4.1	4.3	6.7
1951	100.1	49.9	0.9	16.4		17.1		4.1	4.5	7.2
Indonesia (Mn Rupiahs)										
1951	70.499	39,228[b]	1,548	6,120[c]	865	1,999[c]	10,754[d]	4,600[e]	3,939	1,446[df]
1952	81,639	46,085	1,846	6,700	945	2,492	10,943	5,300	5,304	2,024
Japan (1,000 million yen)										
1938	20	4	1	6	1	2	3	.. [g]	1[h]	4
1946	361	140	11	59	25	16	38	..	6	65
1947	968	343	30	199	48	36	134	..	22	157
1948	1,962	625	67	454	83	104	240	..	65	324
1949	2,738	751	69	708	102	202	367	..	106	432
1950	3,363	879	99	855	130	251	541	..	132	476
1951	4,538	1,128	162	1,164	161	331	773	..	182	637
1952	5,206	1,218	203	1,233	210	427	844	..	264	808
1953	5,984	1,300	184	1,421	265	497	965	..	305	1,047
Korea, South[i] (million U.S. dollars)										
1949	1,769.5	938.2[jk]	14.6	182.2	48.1	32.1	137.7[m]	.. [k]	129.8	287.8[m]
1952	1,383.9	696.0	17.1	145.5	15.6	40.7	95.9	..	156.3	214.8
1953	1,721.2	822.8	23.2	189.0	42.0	44.8	139.1	..	189.2	270.9
Philippines (million pesos)										
1946	4,380	2,006	3	492	140	152	558[n]	..	185[h]	844[p]
1947	5,619	2,440	11	636	259	191	702	..	252	1,128
1948	5,767	2,376	21	656	307	195	716	..	321	1,175
1949	5,728	2,298	32	656	291	191	702	..	377	1,181
1950	6,199	2,492	46	748	271	203	745	..	386	1,308
1951	6,864	2,759	82	938	250	232	852	..	431	1,320
1952	7,009	2,800	102	952	236	246	831	..	487	1,355
1953	*7,444*	*2,926*	*103*	1,187	*260*	*246*	*802*	..	*516*	*1,404*
Thailand[q] (million baht)										
1938	958	436	31	95	..	34	258	..	47	57
1946	10,333	6,272	9	1,146	..	139	1,414	..	237	1,116
1947	15,839	9,549	27	1,641	..	203	2,437	..	513	1,469
1948	18,457	11,211	95	1,706	..	224	3,047	..	615	1,559
1949	22,199	13,332	293	2,545	50	278	3,287	..	846	1,567
1950	25,595	14,650	395	3,239	163	316	3,865	..	1,058	1,910
1951	27,544	15,216	537	3,161	456	914	3,756	..	1,219	2,285
1952	29,147	14,325	563	3,341	889	1,200	4,506	..	1,890	2,433

Sources and time reference: see Table N.
a. Includes processing, marketing and ancillary activities performed by the farmer in respect of his own produce.
b. Includes profits from government estates.
c. "Utilities" included in "Manufacturing".
d. "Banking and insurance" included in "Wholesale and retail trade".
e. Comprises rent on residential houses, government buildings, private non-residential buildings, and mining concessions.
f. Includes profits of public enterprises.
g. Included in "Other services".
h. Including all services of general government.
i. Gross national product at market price.
j. Includes an item "Agricultural services and subsidary industries" which is largely made up of value imputed to services produced in the non-monetary sector of the farm economy.
k. Rental of farm dwellings included in "Agriculture".
m. Income originating from foreign trading included in "Other services".
n. Includes banking, insurance and real estate services.
p. Includes ownership of dwellings and net investment income from abroad.
q. Gross domestic product at market price.

M. EXPENDITURE ON GROSS DOMESTIC PRODUCT

Country and Year	Total	Consumption expenditure		Gross fixed capital formation			Increase in stocks	Exports less imports of goods and services
		Private	General government	General Government	Public enterprises	Private enterprises		
Burma (Mn. Kyat)								
1938	1,458	915	114	17	8	122	31	251
1947	2,966	2,524	259	77	47	304	53	—298
1948	3,557	2,893	280	54	37	434	77	—218
1949	3,234	2,399	307	52	32	196	— 20	268
1950	3,132	2,328	321	60	31	239	— 11	164
1951	3,690	2,668	318	89	44	298	45	228
1952	4,084	2,724	395	162	50	406	133	222
1953	4,520	2,850	512	175	62	419	214	288
1954	*4,670*	*3,150*	*590*	*425*		*450*	*35*	*20*
1955	*5,300*	*3,360*	*640*	*760*		*500*	*40*	*0*
Ceylon (Mn. Rs.)								
1938	703	549[a]	95	5		34	..	20
1947	2,509	2,193	320	32		98	..	—134
1948	2,817	2,272	352	70		105	..	18
1949	3,077	2,459	394	123		153	..	— 52
1950	4,096	3,118	337	213		222	..	156
1951	4,735	3,614	411	224		332	..	154
1952	4,530	3,773	472	307		302	..	—324
1953	4,629	3,740	535	314		245	..	—205
Indonesia (Mn Rp)								
1951	82,819	69,041[b]	8,830	1,800		2,100	..	1,048[c]
1952	93,422	78,026	15,000	2,000		2,900	..	—4,504
Japan (1,000 Mn. Yen)								
1938	27	14	7	1		5	1	—
1946	474	333	55	30		48	28	— 19
1947	1,309	915	102	146		117	82	— 53
1948	2,667	1,741	282	258		258	236	—109
1949	3,376	2,261	394	298		324	208	—110
1950	3,973	2,443	435	189		438	360	107
1951	5.543	3,128	521	424		673	584	212
1952	6,193	3,763	682	471		802	385	90
1953	7,175	4,415	769	623		925	437	8
Philippines (Mn. P)								
1946	4,818	4,229	359	14		244[a]	126	—154
1947	6,179	5,436	405	53		478	167	—360
1948	6,423	5,423	402	110		508	123	—143
1949	6,399	5,802	448	195		402	66	—514
1950	6,905	5,763	473	211		297	84	77
1951	7,750	6,713	536	158		330	68	— 55
1952	7,982	6,858	593	162		324	160	— 55
1953	*8,425*	*7,123*	*606*	*163*		*408*	*126*	— *1*

Sources and time reference: see table N.

a. Includes statistical discrepancy and value of exports financed by personal remittances abroad.

b. Excludes expenditure on passenger motor cars and motor cycles.
c. Cash transfers from abroad have been deducted.
d. Residual after subtracting the total changes in stock from gross private capital formation.

N. NATIONAL INCOME BY DISTRIBUTIVE SHARES

Country and Year	Total	Received by households				Saving of corporations	Direct taxes on corporations	General government income	Less interest on public and consumers' debt
		Compensation of employees	Income from unincorporated enterprises	Rent and interest	Dividends				
Japan (1,000 Mn Yen)									
1938	20[a]	8	6[a]	3	1	1[ab]	1	—	..
1946	361	111	236	13	1	— 1	4	— 2	..
1947	958	315	640	19	1	— 5	13	—15	..
1948	1,962	828	1,092	34	9	2	40	—41	..
1949	2,737	1,144	1,336	48	14	37	94	64	..
1950	3,361	1,424	1,511	71	29	194	109	23	..
1951	4,535	1,965	1,932	97	40	221	230	51	..
1952	5,195	2,432	2,186	128	60	178	223	36	49
1953	5,965	2,845	2,375	175	80	241	238	73	60

Sources for tables K to N: United Nations Statistical Office and official national sources except for the following: Hong Kong: R.A. Ma and E.F. Szczepanik, *National Income of Hong Kong, 1957-1958*, University of Hong Kong, March 1964 (unpublished). Indonesia: Daniel Neumak, *The National Income of Indonesia; Economics and Finance in Indonesia*, June 1954. Korea, South: *An Economic Programme for Korean Reconstruction*, March 1954. Malaya: Frederic Benham, *The National Income of Malaya, 1947-1949*, Singapore, 1951.

Time reference for tables K to N: Ceylon, China (Taiwan only), Indonesia, Malaya and Philippines: calendar years; China (Taiwan only): 1938 relates to 1937; Thailand: fiscal year beginning 1 April for 1938, and calendar years for 1947-1952; Hong Kong, India, South Korea and Pakistan: fiscal years beginning 1 April; Japan: calendar year for 1938, fiscal years beginning 1 April for 1947-1953; Burma: fiscal year beginning 1 April for 1938, and fiscal years ending 30 September for 1947 and thereafter.

a. Before adjustment for stock valuation.
b. Adjusted for net factor income payments from the rest of the world.

1. INDEX NUMBERS OF PRODUCTION

1948 = 100[a]

	Weight	1949	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
CHINA (Taiwan only)														
Industrial production[b]	100.0	157	175	184	238	323	310	339	344	380	384	372	..	..
Public utilities	8.6	124	168	192	202	214	211	228	236	240	236	236	..	..
Electricity	3.8	101	123	152	168	186	181	202	213	217	206	205	..	..
Mining and Quarrying	3.7	87	86	106	138	121	104	128	139	152	109	174	..	..
Coal	1.8	98	85	100	139	145	132	150	125	122	124	136	..	..
Manufacturing[b]	87.7	166	182	189	249	348	349	380	383	427	438	415	..	..
Food[b]	29.1	221	215	147	198	336	369	324	370	381	548	443	..	..
Textiles	14.6	193	276	421	660	918	888	1,073	1,070	1,246	1,222	1,155	..	..
Chemicals	8.1	104	130	216	238	263	298	332	265	297	302	290	..	..
INDIA[c]														
Manufacturing and mining	100.0	98	97	108	119	125	124	127	127	133	138	130	..	..
Mining (coal)	12.0	106	107	115	122	120	113	117	123	120	121	115	..	..
Chemicals and allied trades	4.9	114	129	145	204	260	267	274	281	284	310	344	..	..
Metal manufactures (other than machinery)	9.3	108	114	119	121	114	100	135	134	122	135	137	..	..
Engineering and electrical goods	5.6	121	146	189	170	190	202	203	214	240	246	184	..	..
Textiles	61.4	90	82	90	100	102	103	100	103	106	107	97	..	..
Cotton textiles	43.5	91	84	93	104	110	112	108	112	114	114	102	..	..
Jute	16.5	85	77	80	87	80	80	78	78	81	86	81	..	..
Paper	1.5	105	111	135	140	142	156	138	129	162	158	168	..	..
Manufacture of non-metallic mining products (other than coal and petroleum)	1.7	107	149	171	173	229	193	271	266	201	292	350	..	..
Manufactures of wood (plywood)	0.2	89	93	132	168	114	98	106	130	139	131	133	..	..
Food (sugar)	3.5	93	91	104	139	120	4	96	87	49	84	142	..	..
INDONESIA (1938=100)														
Export products														
General[d]	..	69	89	105	106	*108*	..	..	..	..	..	..	..	..
Estate	..	46	49	63	71	*75*	..	..	..	..	..	..	..	..
Peasantry	..	103	194	228	184	*156*	..	..	..	..	..	..	..	..
Mining	..	85	93	103	116	*132*	..	..	..	..	..	..	..	..
Estate products of 7 items	..	63	69	86	100	102	102	101	101	*103*	..	..	..	..
JAPAN														
Industrial production	100.0	124	142	193	213	261	257	282	274	278	269	282	281	*284*
Public utilities	4.3	113	122	134	146	160	160	171	173	173	163	173	..	..
Manufacturing & mining	95.7	130	153	210	232	284	279	307	298	303	293	307	306	309
Mining	12.9	115	121	138	142	153	137	149	140	149	142	148	151	147
Manufactures	82.8	131	156	219	244	304	302	332	323	327	316	332	331	334
Non-durable	47.8	134	190	254	298	375	380	418	406	416	415	446	444	450
Textiles	17.1	128	186	261	298	345	369	385	361	355	266	388	399	391
Chemicals	16.7	140	203	277	332	423	411	482	492	507	528	576	554	566
Durable	35.0	134	147	220	230	281	270	298	291	288	266	268	268	268
Metals	12.9	176	242	360	386	459	474	507	502	494	444	482	476	486
Machinery & transport equipment	14.6	124	117	184	191	248	221	253	243	235	219	205	211	205
PHILIPPINES (1952=100)														
Manufactures	..	..	..	..	100	113	112	118	122	127	*127*	..	..	..
Non-durable manufactures	..	..	..	..	100	111	109	118	116	122	*117*	..	..	..
Tobacco products	..	..	..	..	100	114	110	127	139	151	*129*	..	..	..
Textiles	..	..	..	..	100	96	84	111	85	89	*102*	..	..	..
Footwear and wearing apparel	..	..	..	..	100	116	120	122	115	119	*116*	..	..	..
Chemicals	..	..	..	..	100	111	114	120	115	119	*125*	..	..	..
Durable manufactures	..	..	..	..	100	118	119	119	137	139	*151*	..	..	..
Stone, clay and glass products (including cement)	..	..	..	..	100	108	119	123	120	97	*111*	..	..	..
Metal products	..	..	..	..	100	152	157	143	170	148	*178*	..	..	..
Electrical appliances	..	..	..	..	100	96	91	100	112	95	*104*	..	..	..

a. Original base: *China*, 1951; *India*, 1946; *Japan*, 1934-36.

b. Sugar production is excluded from the monthly and quarterly index but included in the annual index. Weights relate to annual index.

c. Group indexes compiled by the ECAFE Secretariat on basis of the Interim Index of Production published by Ministry of Commerce & Industry. For details, see footnote b to table 1 in the Section on Asian Economic Statics, *Economic Bulletin for Asia and the Far East*, Vol. IV, No. 3 or 4.

d. Relate to 18 products, including forest products (jungle-wood and rattan).

2. PRODUCTION OF SELECTED COMMODITIES

Monthly averages or calendar months — *Thousand tons*

	1938[v]	1948	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
TEA													
Ceylon	9.3	11.3	12.3	12.0	13.0	10.7	12.9	14.0	17.3	10.4	..	..	..
China (Taiwan only)	..	0.9	1.5	1.0	1.4	1.7	1.4	0.3	2.5	2.5	1.7	*1.7*	..
India	..	21.5	23.8	23.2	23.0	39.5	25.4	3.4	24.2	41.9	43.0	..	..
Indonesia	..	..	3.9	3.1	3.1	2.6	3.6	3.9	3.9	..	..	..	..
Japan[a]	4.0	2.8	3.0	3.3	..	..	..	..	..	..	..	..	..
Pakistan	..	2.2*	2.0	2.0	2.1	3.7	2.6	0.2	1.9	..	..	..	..
NATURAL RUBBER[b]													
Cambodia	1.4	1.4	1.3	1.5	1.9	2.0	2.6	1.2	1.8	2.2	2.4	..	..
Ceylon	4.3	8.0	8.9	8.2	8.3	8.2	11.9	7.1	6.9	8.2	7.7	..	..
India	1.3	1.3	1.5	1.7	1.8	1.7	2.4	1.2	1.7	1.8	2.4	..	..
Indonesia	27.0	36.6	69.0	63.4	58.6	62.0	57.2	58.5	57.1	68.4	70.7	..	..
Malaya	30.4	59.1	51.3	49.5	48.6	50.6	50.9	45.7	43.9	54.2	51.8	..	..
Sarawak	1.5	3.4	3.6	2.7	2.0	2.2	1.6	1.5	2.6	1.9	2.7	..	..
Viet-Nam	3.6	2.3	3.1	3.4	4.2	4.5	6.1	2.9	3.7	4.6	5.0	..	..
COAL													
China (Taiwan only)	183	138	138	191	199	181	207	172	172	172	187	*176*	..
India	2,400[w]	2,551	2,915	3,067	3,035	2,869	2,973	3,058	3,014	3,080	2,968	3,376	..
Indonesia	121	45	72	81	75	74	74	73	69	77	82	..	..
Japan	3,484	2,822	3,610	3,613	3,877	3,365	3,682	3,440	3,692	3,626	3,661	3,703	..
Korea (South)	19	67	20	48	72	76	82	67	71	67	84	86	..
Malaya[c]	40	32	32	27	24	24	20	18	19	21	19	17	..
Pakistan[d]	..	20	43	51	49	33	51	60	44	33	43	..	..
Viet-Nam	195	30	53	72	70	59	93	82	88	74	71	82	..
PETROLEUM, CRUDE													
Brunei	59	224	415	423	407	414	415	403	395				
Burma	84	4	10	10	12	15	11	14	16	*16*	15	..	..
Indonesia	616	361	620	710	852	875	890	835	864	931	959	..	..
Japan	29	13	28	25	25	26	26	26	25	26	25	25	..
Pakistan[e]	..	5	13	15	16	15	18	21	22	*22*	..	..	..
Sarawak	17	4	4	4	5	4	5	5	6	..	..	..	..
PETROLEUM PRODUCTS ('000 Kl.)													
China (Taiwan)[f]	..	19.5	25.5	23.6	27.0	31.5	25.2	27.3	47.0	41.4	30.9	*30.0*	..
Indonesia[g]	..	..	687.9	760.1	808.2	807.0	826.2	776.1	784.5	..	..	..	..
Japan[h]	144.2	14.8	251.7	392.2	505.6	487.4	576.0	581.4	609.4	596.2	681.7	..	..
IRON ORE[i]													
Hong Kong	—	—	14	11	10	12	6	8	8	7	..	..	..
India	232	193	310	332	309	284	307	363	331	288	319	326	..
Japan	51[x]	47	97	116	128	150	153	135	140	143	142	125	..
Korea (South)	..	—	—	2	2	1	2	3	3	2	..	..	..
Malaya	137	—	72	89	90	124	61	77	108	140	117	78	..
Philippines	77	1	75	97	101	114	89	117	126	120	..	..	..
STEEL (Ingots & Metal for castings)													
China (Taiwan only)	..	0.6	1.0	1.4	2.3	2.5	2.6	2.9	3.9	4.2	4.6	*3.8*	..
India	..	106.4	127.0	133.6	127.6	103.9	144.8	147.2	131.2	142.5	154.9	..	..
Japan	..	142.8	541.8	582.4	638.5	667.7	686.1	684.1	672.1	582.6	632.9	..	..
Pakistan	..	0.2	0.2	0.6	0.9	0.8	1.0	1.0	0.8	..	..	..	..
TIN CONCENTRATES (tons)													
Burma	419	97	138	93	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*
China	906	406	*400*	*450*	*525*	*525*	*525*	*625*	*625*	*625*	*625*	*625*	*625*
Indonesia	2,517	2,592	2,624	2,964	2,864	3,091	3,069	2,579	2,827	3,464	3,620	2,914	..
Japan	..	10	37	54	62	66	60	58	64	55	68	..	..
Laos & Viet-Nam	135	3	8	12	22	22	22	—	—	2	10	15	..
Malaya	3,673	3,794	4,840	4,812	4,763	4,701	5,026	4,864	5,139	5,258	5,165	5,368	..
Thailand	1,255	359	805	802	885	779	1,007	785	790	823	946	890	..
TIN METAL (tons)													
Malaya	5,456	4,209	5,581	5,320	5,284	5,481	5,114	5,935	5,979	6,177	6,194	6,030	..
CEMENT													
Ceylon	..	..	5.3	5.1	5.2	7.3	5.9	6.8	6.9	7.9	7.2	4.9	..
China (Taiwan only)	0.2	19.6	32.4	37.1	43.3	43.7	44.2	46.6	44.7	40.5	46.6	*41.1*	..
Hong Kong	..	4.4	6.0	5.8	5.3	5.5	6.3	8.6	5.7	9.4	8.3	11.0	..
India	119.0[w]	131.0	271.0	299.5	320.0	325.0	351.3	373.8	367.7	362.1	378.3	..	..
Japan	473.6	154.9	545.6	593.1	730.7	776.9	825.5	764.2	939.9	939.8	1,023.7	..	..
Korea (South)	..	1.9	0.6	3.0	3.7	4.3	3.2	3.0	6.9	5.4	2.7	8.0	..
Malaya	..	..	..	..	2.7	..	..	6.3	7.2	7.3	7.5	7.5	..
Pakistan	..	27.4	42.2	44.9	50.3	45.4	52.8	52.8	58.3	57.5	53.9	65.0	..
Philippines	13.9	10.0	26.3	26.4	26.5	28.0	25.4	26.3	25.0	39.6	..	..	..
Thailand	7.7‡	6.9	19.1	20.6	24.0	22.1	28.9	27.5	31.7	32.2	36.3	35.3	..
Viet-Nam	22.2	8.1	17.7	18.5	24.2	24.8	26.0	23.0	21.7	19.1	21.0	18.0	24.8
SALT[j]													
China (Taiwan only)	..	30.5	22.9	26.0	13.5	6.5	16.0	34.0	43.6	10.2	54.6	*21.1*	..
India	..	197.6	231.3	239.1	268.5	124.6	51.4	156.3	579.7	121.6	85.4	..	..
Indonesia	..	..	40.1	26.9	19.0	..	..	..	..	..	..	..	..
Japan[k]	43.2	24.3	36.5	36.1	38.4	45.7	38.4	21.0	40.5	41.7	38.0	41.1	..
SUGAR[j]													
China (Taiwan only)	..	22.0	29.2	43.4	73.5	—	59.2	166.1	8.5	—	—	*6.3*	..
India	..	91.0	94.4	126.5	109.3	—	114.8	240.5	15.3	2.7	..	..	..
Pakistan	..	0.8*	3.6	5.4	7.3	—	6.6	15.2	4.1	..	..	..	..
Philippines	..	361.2	848.4	976.5	1,028.4	..	..	..	..	..	..	..	..

2. PRODUCTION OF SELECTED COMMODITIES (*Cont'd*)

Monthly averages or calendar months

Thousand tons

	1938[v]	1948	1951	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
VEGETABLE OILS													
China (Taiwan only): Edible Oil	..	0.1	0.5	0.5	0.8	0.9	0.6	0.7	0.5	0.8	0.9	*0.1*	..
India: Edible Oil (Vanaspati)	..	11.0	14.6	16.2	16.2	12.5	17.5	21.6	22.1	16.0	18.2	..	..
Japan: Coconut Oil	1.4‡	1.1	1.3	1.3	1.2	0.8	0.8	1.4	2.1	0.9	1.8	..	..
Others	9.2‡	2.0	4.8	5.0	8.8	8.8	10.5	9.9	7.3	9.6	8.4	..	..
Malaya: Coconut Oil	..	7.7	8.8	8.9	8.0	9.4	10.5	10.4	11.0	13.4	12.2	10.2	..
Palm Oil	..	3.8	4.1	3.8	4.2	4.3	4.3	4.2	4.8	4.6	4.4	4.7	4.9
Philippines: Coconut Oil	213[x]	90	136	145	141	..	..	..	..	..	..	..	..
COTTON YARN													
China (Taiwan only)	—	—	0.6	1.1	1.6	1.6	1.9	1.6	1.9	2.0	2.0	*2.2*	..
Hong Kong	..	..	2.4	2.5	2.7	2.8	3.2	3.0	3.1	3.5	3.5	3.5	..
India	49.3‡[w]	55.0	49.0	54.7	56.9	58.4	58.0	57.3	58.4	60.3	55.8	..	..
Japan	54.5	10.4	28.1	29.4	34.5	37.4	40.4	39.5	40.2	36.9	37.5	38.5	..
Korea (South)	..	0.5	0.5	0.8	1.1	1.2	1.1	1.2	1.5	2.0	2.4	2.4	..
Pakistan	..	0.2	0.7	0.8	4.5	4.8	5.8	6.4	6.5	7.4	7.9	8.2	..
COTTON FABRICS (Mn metres)													
Ceylon (Mn sq. metres)	0.6	0.5	0.6	0.7	0.8	0.5	0.5	0.5	0.4	0.1	..	..	..
China (Taiwan only)	..	1.0	4.7	7.1	10.9	10.6	13.3	12.6	15.0	14.2	15.3	*15.7*	..
India	325‡[w]	337	319	350	372	380	361	372	392	385	347	..	..
Japan (Mn sq. metres)	243.6	64.4	151.9	156.0	195.8	201.8	211.8	216.0	229.9	217.5	220.0	231.5	..
Korea (South)	..	2.1	2.4	5.0	9.9	11.1	11.9	9.8	9.3	9.3	9.7	10.8	..
Pakistan	..	6.7	9.7	13.3	18.1	19.1	23.7	25.8	24.7	26.1	27.3	27.5	..
Philippines	..	0.6	0.8	0.5	0.9	1.3	1.2	1.2	1.6	1.8	1.8	1.7	..
JUTE MANUFACTURES													
China (Taiwan only) (Gunny Bag 1,000 pcs)	..	228	437	549	701	718	749	703	741	807	710	*771*	..
India	..	92.2	74.1	80.6	73.6	74.4	72.3	71.5	74.8	80.6	76.3	..	..
Pakistan	..	..	—	1.5‡	4.2‡	4.0	5.0	4.6	..	..	..	..	..
PAPER													
China (Taiwan only)	..	0.8	1.7	2.0	2.0	1.7	2.2	2.1	2.3	2.3	2.3	*2.6*	..
India	..	4.3	6.7	7.7	8.1	9.0	9.9	6.7	9.4	..	..	..	..
Japan[m]	68.4	21.8	59.0	69.8	91.7	97.6	101.4	97.7	101.9	101.8	103.8	..	..
SULPHURIC ACID													
China (Taiwan only)	..	1.4	3.0	3.4	3.8	4.5	4.6	3.8	4.3	4.4	4.5	*4.7*	..
India	..	6.8	9.1	8.1	9.2	10.3	10.6	11.7	11.8	13.4	..	..	..
Japan	240.9	162.2	315.8	334.1	357.8	380.2	395.7	406.0	411.6	390.4	428.6	..	..
CAUSTIC SODA													
China (Taiwan only)	..	0.46	0.64	0.73	0.85	0.95	0.96	1.14	1.23	1.14	1.16	*1.14*	..
India	..	0.37	1.25	1.44	1.94	2.19	2.39	2.32	2.37	2.44	..	..	..
Japan	24.9	8.80	27.10	22.40	31.00	32.40	34.30	35.40	40.00	34.80	37.50	..	..
SODA ASH													
China (Taiwan only)	..	—	0.02	0.05	0.07	0.07	0.08	0.10	0.10	0.09	0.09	*0.09*	..
India	..	2.47	4.02	3.75	4.82	4.72	5.12	4.50	3.95	3.47	..	..	..
Japan	19.4	6.30	18.80	16.70	22.90	19.70	26.00	26.50	24.60	24.60	26.90	..	..
CHEMICAL FERTILIZERS													
AMMONIUM SULPHATE													
China (Taiwan only)	..	—	0.41	0.48	0.49	0.50	0.46	0.44	0.44	0.41	0.38	*0.27*	..
India	..	2.98	4.46	18.65	27.06	26.97	27.63	25.16	25.64	29.84	..	..	..
Japan[n]	72.9	79.30	139.50	162.70	169.40	179.50	174.00	176.40	194.50	175.10	182.30	..	..
CALCIUM SUPERHOSPHATE													
China (Taiwan only)	..	2.36	4.51	5.17	5.76	6.94	7.22	5.83	6.65	6.62	7.06	*6.78*	..
India	..	1.81	5.17	3.95	4.09	4.98	5.36	8.14	9.61	9.33	..	..	..
Japan[p]	119.80	79.60	125.50	112.90	126.20	127.20	147.00	149.60	145.30	155.50	188.00	..	..
CALCIUM CYANAMIDE													
China (Taiwan only)	..	0.84	3.96	5.67	6.10	5.75	5.66	5.87	6.37	5.79	4.63	*5.80*	..
Japan[q]	17.88	19.04	34.62	43.82	43.79	42.71	40.02	37.87	53.54	41.28	47.30	..	..
ETHYL ALCOHOL (kl)													
India	..	2,867	4,847	5,527	5,679	5,661	5,592	7,576	6,178	..	..	..	..
Japan[s]	508	2,457	2,586	1,806	2,136	1,837	2,755	1,968	2,690	2,006	642	..	..
ELECTRICITY (Mn kwh)	...												
Cambodia	1	1	1	2	2	..	..	2	2	2	2	2	..
Ceylon	3	5	9	11	12	12	13	*13*	*13*	*14*	..	..	..
China (Taiwan only)	..	70	107	118	130	128	142	150	152	145	144	*148*	..
Hong Kong	..	13	30	33	36	38	38	38	40	44	43	41	..
India	211[w,y]	381	488	516	560	584	583	578	627	639	627	..	..
Japan	2,276	2,965	3,977	4,304	4,641	4,822	4,892	4,747	5,180	4,901	5,030	4,793	..
Korea (South)	..	41	28	53	61	66	61	67	71	79	89	77	..
Malaya[t]	..	..	59	62	65	64	67	68	71	75	..	..	..
Pakistan	...	11	19	25	34	35	36	39	41	*43*	..	..	..
Philippines (Manila)	12	30	41	46	52	54	56	56	57	60	62	59	62
Singapore	4	11	17	18	23	24	24	24	26	27	28	..	..
Thailand (Bangkok)[u]	3‡	4	5	5	7	7	8	8	9	9	..	..	..
Viet-Nam	8	8	16	19	25	26	26	26	27	28	..	..	..

a. Tea processed for marketing; tea for own consumption excluded.
b. Including latex.
c. Lignite.
d. Including lignite.
e. Beginning 1954, original data in units of capacity.
f. Comprising gasoline, diesel oil, kerosene and fuel oil.
g. Comprising motor spirit, aviation spirit kerosene, heavy oil, wax and paraffin, asphalt and cutback.
h. Comprising gasoline, diesel oil, kerosene, fuel oil, gas oil, lubricating oil and others.
i. Approximate metal content of ores as follows: Hong Kong, 45%; India, 65%; Japan, 55%; Malaya, 60% and the Philippines, 55%.
j. Annual figures relate to the crop year.
k. Production in government licensed plants only.
m. Comprising printing, newsprint, writing and drawing, kraft paper, other wrapping, tissue and others.
n. Converted to 20% N2 content. "Synthetic" and "By-product" are given in total actual production except for 1938.
p. Converted to 16% $P_2 0_5$ content.
q. Converted to 20% N_2 content.
s. 94%.
t. Including electricity purchased from Singapore.
u. Consumption of electricity generated by the Bangkok Electric Works only.
v. 1936 for Japan, unless otherwise indicated.
w. Former British provinces and Indian States.
x. 1937.
y. 1939.

3. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION

Monthly averages or calendar months

	1938[i]	1948	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
RAILWAYS[a]													
Passenger-kilometres (Mn)													
Burma†	59	40	29	34	47	48	52	55	65	49	59	59	57
Cambodia	3	..	4	3	4	4	5	4	4	4	4	5	..
China (Taiwan only)	69	166	166	146	157	157	166	173	173	166	177	..	..
India‡	2,385	4,925	5,078	4,601	4,741	4,567	4,285	4,969	..	..	..	..	..
Japan‡	2,185	6,595	6,421	6,707	6,963	6,936	6,923	6,939	7,503	7,301	7,639	..	..
Korea (South)‡	..	236	125	219	262	280	286	255	322	353	..	..	..
Pakistan‡	..	656	827	795	720	735	720	695	772	767	750	..	..
Philippines§	40	24	32	31	32	29	30	32	41	31	..	..	..
Thailand	24	109	152	188	191	166	179	201	212	174	186	188	210
Viet-Nam	71	..	6	6	8	10	9	8	8	11	19	17	..
Freight ton-kilometres (Mn)													
Burma†	95	52	17	24	36	38	41	47	43	35	34	39	46
Cambodia	4	..	5	4	4	2	4	6	6	5	5	4	..
China[b] (Taiwan only)	71	52	78	96	108	110	113	113	121	104	119	..	..
India‡	2,968	3,040	3,820	3,879	4,102	4,232	3,973	4,422	..	..	..	..	..
Japan‡	1,305	2,109	3,073	3,227	3,377	3,143	3,624	3,316	3,317	3,155	3,571	..	..
Korea (South)‡	..	87	229	256	229[r]	250	220	172	181	155	151	..	..
Malaya	22	26	33	31	31	31	31	30	32	34	32	33	..
Pakistan‡	..	319	418	452	470	422	531	470	433	384	453	..	..
Philippines§	14	10	12	11	12	11	10	13	12	11	..	..	..
Thailand	38	25	45	46	54	53	52	55	64	52	49	59	..
Viet-Nam	24	..	11	13	15	15	17	16	12	9	9	11	..
INTERNATIONAL SEA-BORNE SHIPPING													
Freight Loaded (L) and Unloaded (U) in External Trade (1,000 tons)													
Ceylon[c] L	54	63	60	67	73	79	76	103	86	90	83	76	..
U	109	141	178	174	182	183	142	218	175	180	249	300	..
China (Taiwan only) L	..	13	48	78	121	106	118	79	118	74	66	51	..
U	..	22	79	117	109	107	115	103	160	150	194	82	..
Hong Kong L	..	104	162	128	126	110	127	126	119	127	131	130	..
U	..	236	312	284	289	276	278	261	332	294	347	302	..
Indonesia L	916	432[d]	749	821	1,016	1,098	1,117	951	959	1,112	1,119	..	..
U	167	160[d]	212	367	347	420	354	325	290	337	318	..	..
Japan[e] L	1,092	165	303	414	420	430	414	367	467	487	556	515	684
U	2,771	563	1,728	1,978	2,607	2,579	2,956	2,957	2,967	2,778	2,389	2,493	2,648
Korea (South) L	..	3	8	18	12	13	11	10	7	..	..	..	..
U	..	3	5	39	95	115	41	52	63	..	..	..	..
Malaya[f] (Singapore) L	..	121	217	198	419	432	440	406	440	431	440	..	..
U	..	163	410	401	675	743	744	717	735	785	168	..	..
Pakistan‡ L	..	..	109	97	101	89	116	100	81	77	147	145	117
U	..	..	290	337	278	295	337	212	221	228	224	177	178
Philippines L	257	50[k]	260	368	350	359	291	402	413	335	194	198	220
U	194	193[k]	220	215	253	274	258	227	178	276	227	429	273
Viet-Nam (Saigon) L	..	..	39	23	17	22	33	52	83	81	65	78	82
U	..	..	74	100	106	89	103	130	176	171	170	132	234
Thailand L	..	..	165	149	143	139	151	117	126	148	191	146	142
U	..	..	75	94	107	104	114	107	125	101	88	113	99
Entrances (E) and Clearances (C) of Vessels with Cargo in External Trade 1,000 net registered tons)													
Burma[g] E	311	118	106	98	104	123	117	146	133	101	101	107	122
C	361	157	138	132	146	134	110	152	164	174	176	176	197
India E	760	846*	777	773	750	724	744	763	689	743	846	..	..
C	793	567*	649	739	884	870	924	794	771	718	875	..	..
CIVIL AVIATION[h]													
Passenger-kilometres (Mn)													
Burma	..	..	4.15	3.26	3.64	2.89	3.78	3.92	4.61	2.14	3.14	3.20	..
Ceylon	—	0.36	2.76	2.47	2.19	0.85	0.82	0.85	0.88	..	..	..	..
China (Taiwan only)	..	..	1.61	2.49	3.52	3.80	3.72	6.43	..	..	..	..	..
India	0.11[j]	23.65	34.49	32.46	32.15	28.70	35.14	34.54	35.81	36.66	..	..	..
Indonesia	..	8.49	13.30	13.28	14.03	14.43	13.57	14.27	14.43	15.43	..	..	..
Pakistan	..	..	5.41	5.81	3.46	2.92	3.48	3.46	3.40	..	..	..	..
Philippines	0.21	14.57	17.47	17.78	18.97	20.09	18.21	15.33	10.42	..	..	..	..
Thailand	—	0.93	2.01	2.26	2.60	2.45	3.21	2.86	3.75	3.15	3.10	3.65	4.18
Freight ton-kilometres (1,000)													
Burma	..	..	132	118	148	123	150	182	237	79	128	141	..
Ceylon	—	2	196	159	89	19	17	14	12	..	..	..	..
China (Taiwan only)	..	..	217	260	340	570	208	277	..	..	..	..	..
India	34[j]	475	2,204	2,180	2,203	2,060	2,287	2,190	2,099	2,316	..	..	..
Indonesia	..	389	595	595	620	621	640	617	615	591	..	..	..
Pakistan	..	..	88	167	152	173	139	142	108	..	..	..	..
Philippines	..	540	793	809	778	734	850	658	282	..	..	..	..
Thailand	1[j]	17	59	85	140	128	162	162	153	138	158	152	139

a. Railway traffic coverage: *India* and *Pakistan*, class I railways; *Indonesia*, postwar data relate to Federal area only; *Japan*, State Railways only; *Philippines*, Manila Railroad Company.

b. Including service traffic.

c. 1937-53, port of Colombo only.

d. Federal area only.

e. Cargo carried by steel vessels only; excluding military goods.

f. Including coastwise traffic of Malaya.

g. Total number of entrances and clearances made during each voyage but excluding sailing vessels. Annual figures relate to 12 months ending September of postwar year stated.

h. Scheduled domestic and international routes.

i. Pre-war data relate to 1936 for Japan, 1939 for Malaya, and April 1938 to March 1939 for Burma and Thailand; pre-war figures for India include former British Provinces and Indian States for both railway traffic and sea-borne shipping.

j. Including non-revenue traffic.

k. Manila only.

4. VALUE OF IMPORTS AND EXPORTS AND BALANCE OF TRADE

Monthly averages or calendar months

Millions

	1938	1948	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
BURMA (K.)													
Imports	18‡	49†	54	76	70	80	76	70	80	88	90	92	*70*
Exports	41‡	63†	82	105	84	99	59	101	113	79	104	76	*91*
Balance	+ 23	+ 14	+ 28	+ 29	+ 14	+ 19	− 17	+ 31	+ 33	− 9	+ 14	− 16	+ 21
CAMBODIA–LAOS–VIETNAM (Pr.)													
Imports	16	197	523	770	929	1,118	999	948	986	1,010	1,016	1,099	116
Exports	24	98	232	201	231	267	313	270	251	232	434	282	143
Balance	+ 8	− 99	−291	−569	−698	−851	−686	−678	−735	−778	−582	−817	+ 27
CEYLON (Rs.)													
Imports	20	83	130	142	134	131	137	112	122	116	135	98	..
Exports	24	84	159	125	131	128	135	143	139	169	136	181	..
Balance	+ 4	+ 1	+ 29	− 17	− 3	− 3	− 2	+ 31	+ 17	+ 53	+ 1	+ 83	..
CHINA (Taiwan only, NT$)													
Imports[a]	..	..	99	147	138	143	162	153	129	149	225	176	..
Exports	..	..	90	122	165	224	191	91	206	98	86	51	..
Balance	..	..	− 9	− 25	+ 27	+ 81	+ 29	− 62	+ 77	− 51	−139	−125	..
(in dollars)													
Imports[a]	..	..	7.1	9.4	8.8	9.1	10.4	9.8	8.2	9.5	14.4	11.3	..
Exports	..	..	8.2	9.7	10.6	14.4	12.3	5.8	13.3	6.3	5.5	3.3	..
Balance	..	..	+ 1.1	+ 0.3	+ 1.8	+ 5.3	+ 1.9	− 4.0	+ 5.1	− 3.2	− 8.9	− 8.0	..
F.O.A. Imports	..	..	4.0	6.2	7.2	12.3	4.7	5.8	9.0	10.2	9.3	6.9	..
HONG KONG (HK$)													
Imports	52	173	408	316	323	292	291	261	284	288	299	301	335
Exports	51	134	372	243	228	189	207	194	194	205	209	217	215
Balance	− 1	− 39	− 36	− 73	− 95	−103	− 84	− 67	− 90	− 83	− 90	− 84	−120
INDIA[b] (Rs.)													
Imports	131	485	712	674	481	502	413	432[r]	484[r]	492	542	604	490
Exports	141	381	653	516	443	435	496	440	379[r]	478	475	656	603
Balance	+ 10	−104	− 59	−158	− 38	− 67	+ 83	+ 8[r]	−105[r]	− 14	− 67	+ 52	+113
INDONESIA[c] (Rp.)													
Imports	41	94	266	878	715	811	691	676	632	595	451	457	..
Exports	57	87	398	871	779	839	804	721	726	879	920	805	..
Balance	+ 16	− 7	+132	− 7	+ 64	+ 28	+113	+ 45	+ 94	+284	+469	+348	..
JAPAN[d] ($)													
Imports	87	57	170	169	201	197	219	241	230	166	166	*150*	..
Exports	84	22	113	106	106	105	118	114	126	139	162	*140*	..
Balance	− 3	− 35	− 57	− 63	− 95	− 92	−101	−127	−104	− 27	− 4	− 10	..
KOREA (South, H.)													
Imports[e]	..	7	102	587	1,859	2,102	1,865	2,639	1,994	..	*1,601*	*2,317*	..
Exports[f]	..	6	41	167	327	396	356	653	676	..	*397*	*455*	..
Balance	..	− 1	− 61	−420	−1,532	−1,706	−1,509	−1,986	−1,318	..	−*1,204*	−*1,862*	..
MALAYA (M$)													
Imports	46	149	396	323	270	272	262	245	254	266	*279*	*277*	..
Exports	50	147	506	326	252	241	232	234	250	272	*779*	*284*	..
Balance	+ 4	− 2	+110	+ 3	− 18	− 31	− 30	− 11	− 4	+ 6	—	+ 7	..
NORTH BORNEO (M$)													
Imports	0.5	2.1	5.9	5.9	5.5	5.4	4.9	6.3	5.9	6.7	5.0	..	..
Exports	0.8	2.5	9.6	5.4	4.7	4.6	5.3	5.8	6.1	6.6	6.5	..	..
Balance	+ 0.3	+ 0.4	+ 3.7	− 0.5	− 0.8	− 0.8	+ 0.4	− 0.5	+ 0.2	− 0.1	+ 1.5	..	..
PAKISTAN[g] (Rs.)													
Imports	..	71	146	168	97	100	110	94	70	97	88	112	91
Exports	..	77	210	147	121	110	105	116	99	75	90	103	125
Balance	..	+ 6	+ 64	− 21	+ 24	+ 10	− 5	+ 22	+ 29	− 22	+ 2	− 9	+ 34
PHILIPPINES (P.)													
Imports[h]	22.1	97.6	80.2	70.1	71.3	64.4	71.0	74.9	84.0	76.4	81.3	..	..
Exports	19.4	53.0	68.3	58.7	65.4	70.4	62.1	71.8	68.0	64.3	56.9	..	..
Balance	− 2.7	−44.6	−11.9	−11.4	− 5.9	+ 6.0	− 8.9	− 3.1	−16.0	−12.1	−24.4	..	..
THAILAND (Baht)													
Imports	11‡	146	309	473	552	499	605	557	600	..	..	..	..
Exports	17‡	174	373	487	488	486	500	451	440	..	..	..	..
Balance	+ 6	+ 28	+ 64	+ 14	− 64	− 13	−105	−106	−160	..	..	..	..
(in dollars)													
Imports	4.8‡	12.0	22.7	25.5	30.2	27.5	29.5	26.6	27.8	..	..	..	..
Exports	7.5‡	18.6	30.6	25.8	26.9	27.0	24.4	21.9	20.7	..	..	..	..
Balance	+ 2.7	+ 6.8	+ 7.9	+ 0.3	− 3.3	− 0.5	− 5.1	− 4.7	− 7.1	..	..	..	..

GENERAL NOTE: Trade Statistics of Cambodia-Laos-VietNam, China, Indonesia and Korea (South) are based on "Special" trade system while all other countries compile their statistics on basis of "General" trade system. Multiple rates of exchange apply in China and Thailand; figures in national currencies are based on exchange rates appropriate for individual transaction.

a. Excluding FOA/MSA/ECA imports.

b. For 1938, former British Provinces and Indian States. For 1948, figures on sea-borne and air-borne relate to Apr-Dec only; overland, twelve months commencing Apr 1948. From 1953 imports include special imports of grain, pulse and flour.

c. From 13 Feb 1950 to 31 Dec 1951, excluding value of exchange certificates. For 1 Jan—3 Feb 1952, import and export values are based on 3 times of official exchange rate and from 4 Feb 1952 onwards they are based on official exchange rate of the Bank of Indonesia.

d. Figures under column for 1938 relate to 1936; they have been adjusted to include trade with Korea and Taiwan. Postwar imports include aid imports.

e. Excluding Government imports, military supplies and various aid goods. Up to Mar 1951, valued c.i.f.; from Apr 1951 valuation based on local market prices excluding distributive margins and net of import duties and excise.

f. Up to Mar 1951, valued f.o.b.; from Apr 1951 valuation based on domestic market prices.

g. For 1948, figures exclude overland trade.

h. Imports valued f.o.b.

5. DIRECTION OF

Quarterly averages

TRADE WITH	Year and Quarter	BURMA[a]		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[c]	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[b]	Exports	Imports	Exports	Imports
All countries	1948	57.2	45.0	23.0	47.0	76.4	75.1	..	..	101.1	130.8	342.8	507.4
	1950	39.4	28.6	19.8	53.8	82.0	61.4	18.1	22.9	164.4	166.4	293.0	284.2
	1951	51.6	34.4	33.8	76.0	100.0	82.0	24.6	21.4	195.2	214.0	411.4	453.6
	1952	66.0	48.0	29.2	112.1	78.8	89.6	29.1	28.2	127.4	165.7	324.9	419.2
	1953	52.7	44.2	23.8	98.6	82.3	84.5	31.9	26.4	120.8	170.6	277.3	297.3
	1953 I	31.6	38.9	24.3	104.1	79.4	77.4	25.5	23.7	135.9	190.6	272.3	273.8
	II	81.0	39.2	21.3	108.7	75.8	92.5	22.0	23.5	135.9	181.7	249.8	343.9
	III	74.6	52.1	22.9	95.9	76.5	81.5	43.3	27.4	99.1	153.6	275.9	311.1
	IV	23.7	46.8	26.8	85.6	97.5	86.7	36.8	31.1	112.5	156.4	311.3	260.3
	1954 I	63.6	44.3	23.1	81.2	83.2	70.5	17.5	29.3	115.5	152.0	265.1	270.6
	II	71.1	50.6	*18.1*	*79.1*	82.6	76.6	39.8	24.7	119.2	167.5	238.4	305.0
	III	*49.6*	*55.7*	*17.8*	*81.3*	101.9	73.1	18.2	28.6	123.0	165.0	297.6	310.2
ECAFE Region (including Japan)	1948	50.0	14.4	7.8	5.5	4.6	26.3	..	..	60.9	53.8	95.2	121.5
	1950	33.2	17.5	4.6	4.2	4.5	28.8	11.6	12.9	117.2	83.4	68.3	47.7
	1951	42.4	20.0	10.0	7.1	7.6	31.2	19.9	14.4	149.4	103.6	78.7	110.6
	1952	51.6	28.7	11.2	8.7	12.0	32.6	24.6	17.5	100.2	90.2	82.6	67.6
	1953	41.1	22.9	11.1	8.4	16.3	34.8	20.7	15.2	90.0	93.4	52.9	40.3
	1953 I	19.0	19.5	12.7	8.1	2.2	30.9	19.4	13.0	103.8	99.5	54.6	29.9
	II	75.0	22.0	11.4	7.5	26.4	35.3	13.6	12.7	105.8	101.4	56.3	55.6
	III	48.8	27.3	9.8	8.4	16.1	34.2	19.0	15.9	73.2	89.6	51.0	45.3
	IV	21.6	22.7	10.6	9.4	20.4	38.7	30.9	19.4	77.4	83.1	49.6	30.4
	1954 I	52.7	20.4	8.7	7.2	16.9	28.3	12.8	19.7	69.6	62.0	51.7	36.1
	II	61.1	29.2	*8.0*	*8.3*	8.1	33.9	33.3	15.0	72.2	74.6	41.0	45.7
	III	*42.4*	*29.0*	*5.4*	*11.8*	21.6	28.8	13.5	19.3	74.3	74.8	38.2	64.5
Japan	1948	0.1	0.3	0.6	0.2	0.1	1.0	..	..	3.1	5.0	3.4	4.8
	1950	5.1	3.0	0.2	0.6	—	1.6	6.6	7.2	5.3	10.0	3.9	3.9
	1951	7.2	5.9	0.6	2.4	0.4	4.2	12.3	10.6	8.4	17.2	9.6	11.6
	1952	8.2	7.2	0.9	2.7	0.5	5.4	15.9	12.6	5.4	21.1	13.4	10.2
	1953	7.3	7.3	3.6	2.1	0.5	3.6	14.5	11.7	9.7	16.8	14.1	6.5
	1953 I	3.1	6.4	0.5	2.3	0.4	3.4	13.2	9.9	10.2	13.9	17.6	5.5
	II	7.6	6.0	1.1	1.4	0.3	4.0	5.0	9.9	13.7	18.0	18.5	8.9
	III	14.5	7.0	5.1	2.2	0.6	4.4	14.8	13.3	7.2	19.4	8.0	5.6
	IV	4.0	9.9	7.5	2.6	0.8	2.8	25.1	13.9	7.6	15.9	12.3	6.1
	1954 I	25.2	9.0	6.2	2.3	0.5	2.7	6.6	15.3	5.3	13.3	10.6	6.8
	II	28.7	11.2	*1.0*	*2.2*	0.2	3.1	21.1	12.4	4.2	19.6	6.2	5.7
	III	*2.2*	*12.4*	*1.4*	*3.2*	0.2	4.8	10.1	16.9	4.9	22.2	5.6	7.9
Western Europe	1948	5.8	23.9	10.2	32.9	30.7	16.4	..	..	8.9	32.6	106.8	159.5
	1950	2.5	8.0	9.4	43.6	32.1	15.6	1.6	1.5	15.8	32.4	95.4	90.2
	1951	5.4	11.6	15.3	60.9	50.4	25.5	0.7	1.6	17.6	70.0	147.8	129.9
	1952	8.4	14.6	9.5	92.4	32.4	27.2	1.3	2.6	9.8	50.6	98.9	126.2
	1953	6.4	16.9	5.2	77.2	30.4	27.3	3.8	3.1	10.5	50.9	102.2	126.4
	1953 I	6.9	13.2	7.7	83.3	29.7	22.1	0.2	3.5	14.0	66.0	98.0	114.2
	II	6.0	17.4	3.9	85.3	31.1	28.0	3.9	2.2	11.0	53.4	75.1	127.6
	III	9.3	19.8	4.3	76.0	24.7	25.8	10.3	2.9	7.7	40.4	103.1	131.3
	IV	3.4	17.1	4.8	64.0	36.1	33.4	0.8	3.9	9.2	43.8	132.5	132.5
	1954 I	7.5	19.9	3.1	59.5	25.9	24.6	0.4	2.6	11.3	43.4	99.6	132.1
	II	3.8	18.1	*3.3*	*61.4*	37.0	21.3	1.1	3.3	9.4	40.4	88.8	131.9
	III	*4.2*	*22.0*	*4.5*	*58.8*	33.4	23.9	2.0	3.1	10.5	44.7	122.7	138.4
United Kingdom	1948	5.1	21.1	—	1.2	22.9	13.2	..	..	4.9	19.0	74.2	115.6
	1950	1.4	6.7	0.2	0.4	19.3	12.2	0.2	0.8	8.2	17.7	64.4	61.7
	1951	3.3	8.4	1.2	0.5	30.8	18.1	0.5	0.8	10.4	27.1	103.9	75.0
	1952	6.2	10.8	0.2	0.6	21.9	20.2	1.1	0.9	3.6	20.6	66.4	78.4
	1953	4.5	11.8	—	—	20.4	19.0	2.1	1.2	5.2	20.8	78.0	73.8
	1953 I	5.7	10.1	—	—	20.2	16.6	0.1	0.8	5.1	23.7	72.1	73.1
	II	3.3	11.2	—	—	23.1	22.2	2.2	1.0	5.8	22.2	55.1	71.3
	III	6.5	13.8	—	—	17.0	18.0	6.1	1.4	4.7	18.2	80.9	76.0
	IV	2.5	11.9	—	—	21.4	19.1	0.2	1.6	5.2	18.9	104.1	74.8
	1954 I	5.1	13.2	—	—	18.6	15.3	0.2	1.2	7.8	17.2	72.6	77.6
	II	2.6	12.0	—	—	32.2	15.2	0.8	1.3	6.0	16.4	62.8	78.0
	III	*3.5*	*13.9*	—	—	25.8	16.3	0.8	1.1	6.9	17.2	96.4	78.4
Eastern Europe	1948	—	0.1	—	0.1	0.5	0.2	..	..	1.0	0.8	6.4	5.3
	1950	—	0.1	—	0.2	0.1	0.4	—	—	—	0.9	1.5	3.0
	1951	—	0.1	—	—	0.4	0.9	—	—	—	1.5	5.0	3.9
	1952	0.1	0.1	0.1	0.2	0.8	0.6	—	—	—	0.1	1.9	2.7
	1953	—	0.2	—	—	—	—	—	—	—	1.0	1.7	2.0
	1953 I	—	0.1	—	—	—	—	—	—	—	1.3	1.3	2.2
	II	—	0.2	—	—	—	—	—	—	—	0.6	2.1	1.9
	III	—	0.2	—	—	—	—	—	—	—	1.1	1.5	2.1
	IV	—	0.2	—	—	—	—	—	—	—	0.8	2.0	1.9
	1954 I	—	*0.4*	—	—	—	—	—	—	—	1.0	4.1	2.4
	II	0.6	1.0	—	—	—	—	—	—	—	1.0	3.1	2.2
	III	—	*0.3*	—	—	—	—	—	—	—	1.4	1.4	2.4

or quarters

Million dollars

INDONESIA		JAPAN		MALAYA		PAKISTAN[c d]		PHILIPPINES		Year and Quarter		TRADE WITH
Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[e]			
98.7	116.2	64.6	170.6	203.2	210.4	154.6	101.4	79.4	146.5		1948	All countries
199.9	110.0	205.0	242.5	328.0	238.1	124.0	97.6	84.3	85.6		1950	
307.7	201.5	338.6	498.8	496.3	388.4	190.9	133.7	102.4	120.3		1951	
227.8	231.0	318.2	507.0	320.0	316.3	133.1	152.4	88.0	105.2		1952	
204.9	188.2	318.7	602.4	246.6	263.6	109.7	87.5	97.6	103.9		1953	
188.3	161.8	275.5	547.5	263.9	269.5	150.4	98.1	93.8	101.5	I	1953	
195.2	196.0	328.6	613.9	257.3	262.4	94.3	61.6	99.8	115.2	II		
221.1	213.4	316.3	590.4	236.4	266.4	99.5	91.1	99.7	89.7	III		
215.0	181.7	354.4	657.8	229.0	256.0	94.6	99.3	97.2	109.1	IV		
189.8	177.9	343.0	723.1	229.1	239.9	104.7	84.2	107.6	112.4	I	1954	
191.0	166.2	*376.7*	*688.8*	244.8	248.7	89.8	63.7	102.1	125.9	II		
231.2	156.7	*417.2*	*498.7*	267.1	261.1	*65.3*	*82.5*	96.4	114.6	III		
25.0	33.7	26.4	23.0	49.8	96.9	99.6	56.7	7.2	14.9		1948	ECAFE Region (including Japan)
79.4	44.2	88.9	73.2	83.9	153.7	48.7	42.5	7.3	9.6		1950	
121.4	83.6	156.2	122.2	118.0	242.0	85.0	49.5	9.0	19.3		1951	
75.1	91.6	143.1	129.2	91.3	181.6	61.0	57.7	10.8	14.7		1952	
70.2	77.3	139.1	160.3	77.2	153.0	36.9	11.9	13.4	11.7		1953	
56.4	62.1	107.3	148.5	76.8	152.6	41.6	15.2	9.6	11.4	I	1953	
66.7	92.1	141.8	172.8	87.3	148.5	38.2	7.8	13.8	12.6	II		
79.7	85.5	142.2	160.6	72.6	158.9	39.1	10.6	15.6	9.2	III		
78.2	69.5	165.0	159.3	71.9	152.0	28.8	14.0	14.6	13.7	IV		
78.6	86.0	154.4	150.7	65.8	136.2	32.1	11.1	13.7	16.7	I	1954	
75.3	74.1	*168.1*	*156.5*	73.5	137.9	34.5	15.3	13.5	15.3	II		
96.5	55.3	*155.1*	*124.6*	77.8	151.5	*15.8*	*18.1*	12.7	17.3	III		
2.4	18.0	—	—	2.3	1.6	0.9	0.7	3.9	0.5		1948	Japan
2.7	11.0	—	—	9.4	7.6	11.0	13.1	5.5	3.6		1950	
10.0	37.7	—	—	12.8	19.9	19.2	19.5	7.5	8.2		1951	
6.1	31.7	—	—	12.6	20.4	22.0	27.9	9.6	4.6		1952	
9.3	31.7	—	—	12.8	10.5	21.4	4.5	12.0	5.1		1953	
10.6	16.3	—	—	13.0	8.7	30.9	7.6	8.8	5.5	I	1953	
9.0	29.4	—	—	11.0	12.1	21.1	2.3	12.4	5.6	II		
8.6	45.7	—	—	12.9	10.5	20.5	2.8	14.0	2.7	III		
8.9	35.5	—	—	14.3	10.7	13.1	5.3	13.0	6.6	IV		
8.2	41.7	—	—	14.8	7.9	7.9	3.5	12.8	7.0	I	1954	
8.0	45.9	—	—	11.2	10.6	12.3	7.7	11.1	6.8	II		
18.1	24.7	—	—	12.7	13.7	*13.9*	*5.8*	11.0	7.0	III		
43.6	41.7	6.8	4.9	58.6	49.6	33.4	26.6	13.2	4.8		1948	Western Europe
69.4	39.3	23.6	9.2	103.2	56.7	50.3	34.8	11.0	4.9		1950	
110.0	66.8	35.4	40.1	185.6	100.1	77.3	47.4	22.1	7.0		1951	
72.2	80.8	44.1	34.4	120.7	90.7	49.2	52.5	13.1	5.9		1952	
71.4	64.0	28.9	50.8	81.7	72.9	53.6	25.4	13.8	5.8		1953	
67.9	58.2	39.5	30.3	94.2	78.1	73.7	32.9	11.3	5.4	I	1953	
59.1	57.8	25.0	56.1	78.3	78.8	41.2	13.5	8.3	5.5	II		
75.8	75.9	30.1	59.3	78.3	66.9	49.1	23.9	16.7	4.0	III		
82.7	64.0	21.1	57.7	75.9	67.7	50.2	31.4	18.9	8.3	IV		
65.6	51.6	20.6	61.6	81.6	70.0	50.4	38.6	21.8	9.4	I	1954	
62.6	53.2	*29.7*	*67.3*	75.9	75.5	37.2	35.5	15.7	12.0	II		
73.4	56.3	*39.3*	*43.3*	92.3	71.1	*37.4*	*48.0*	20.7	10.3	III		
2.0	10.8	4.2	1.3	28.2	40.5	13.4	20.4	0.8	1.3		1948	United Kingdom
7.9	8.2	6.5	1.6	44.6	41.3	17.2	23.1	1.3	1.3		1950	
19.5	13.0	13.5	8.0	99.3	64.4	23.9	27.6	3.2	1.6		1951	
6.1	16.5	18.3	9.2	66.6	66.9	17.0	30.9	1.4	1.2		1952	
4.2	13.2	8.3	12.2	39.6	53.5	21.1	14.4	1.3	1.1		1953	
3.6	13.2	14.3	8.5	51.0	59.4	29.4	21.0	1.8	0.9	I	1953	
4.5	11.3	6.9	11.0	41.3	57.9	16.9	7.1	1.1	1.2	II		
4.5	16.1	9.5	14.1	36.7	48.2	16.4	12.2	1.2	0.9	III		
4.3	12.4	2.4	15.4	29.3	48.5	21.6	17.1	1.0	1.5	IV		
3.1	9.1	5.3	12.5	32.1	47.6	17.4	20.6	1.6	1.9	I	1954	
5.5	9.0	*8.9*	*9.0*	30.8	51.3	12.5	20.7	0.9	2.7	II		
12.8	9.3	*17.1*	*8.1*	37.8	49.7	*16.8*	*28.9*	1.0	2.1	III		
0.4	1.1	1.1	0.6	14.5	1.6	6.2	1.1	2.0	0.1		1948	Eastern Europe
0.2	0.8	0.4	0.9	14.0	1.0	7.3	2.0	0.1	0.1		1950	
0.6	1.5	0.5	0.5	17.2	1.5	8.1	2.2	—	—		1951	
2.4	1.6	0.6	0.7	8.3	0.9	9.0	1.8	—	0.1		1952	
1.1	1.4	1.0	1.4	4.2	1.6	3.2	0.4	—	—		1953	
1.1	1.1	0.7	1.2	4.7	2.1	8.4	0.7	—	—	I	1953	
1.0	1.4	0.5	0.4	5.4	1.3	1.3	0.3	—	0.1	II		
1.4	1.9	1.5	2.2	4.2	1.6	1.6	0.1	—	—	III		
0.9	1.3	1.4	2.0	2.7	1.3	1.5	0.4	—	0.1	IV		
0.3	1.7	0.7	2.1	4.3	1.4	2.9	1.2	—	—	I	1954	
1.0	2.1	*0.4*	*0.7*	2.9	0.9	4.4	0.4	—	—	II		
1.5	5.2	*0.2*	*0.7*	5.0	1.2	*0.1*	*0.5*	—	—	III		

Quarterly averages

TRADE WITH	Year and Quarter	BURMA[a]		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[c]	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[b]	Exports	Imports	Exports	Imports
North America	1948	0.6	1.7	0.5	6.0	16.0	6.4	..	..	11.1	26.7	60.9	89.4
	1950	0.9	0.8	3.7	3.0	23.2	2.9	0.9	4.9	14.6	30.8	61.8	58.6
	1951	0.2	0.9	3.6	4.1	14.8	5.3	1.2	3.8	7.8	20.2	85.9	118.1
	1952	0.6	2.6	3.1	5.7	12.2	9.9	0.9	6.8	5.8	13.1	70.9	159.5
	1953	1.1	1.8	4.0	4.4	10.8	3.6	1.4	4.9	4.3	12.5	57.9	56.9
	1953 I	1.3	1.6	2.7	4.5	14.5	3.4	1.7	5.8	4.6	11.5	63.8	64.2
	II	1.3	2.0	1.7	5.3	8.9	6.3	1.4	4.8	4.0	14.1	54.2	67.7
	III	1.7	2.0	4.9	3.7	9.5	2.4	1.3	4.4	3.9	12.4	56.2	53.6
	IV	0.2	1.6	6.8	4.0	10.2	2.3	1.0	4.6	4.8	11.9	57.3	42.2
	1954 I	0.8	1.5	4.6	5.1	12.9	2.5	1.1	4.9	4.2	13.5	49.6	33.6
	II	0.3	1.9	*4.0*	*7.0*	10.2	2.4	1.0	3.7	4.7	16.4	48.5	48.6
	III	*0.1*	*2.0*	*5.6*	*7.6*	8.1	2.1	1.6	4.9	4.7	15.6	52.8	44.3
United States of America	1948	0.6	1.6	0.5	6.0	12.6	5.7	..	..	10.6	24.4	54.3	82.2
	1950	0.1	0.8	3.7	3.0	17.6	1.8	0.9	4.3	14.2	28.6	54.8	52.9
	1951	0.2	0.8	3.6	4.0	10.5	4.3	1.2	3.4	7.1	16.3	75.1	105.9
	1952	0.6	2.5	3.1	5.6	8.3	7.8	0.9	6.3	5.0	9.6	63.3	143.8
	1953	1.1	1.8	4.0	4.4	6.4	2.7	1.3	4.5	3.3	9.9	50.5	47.0
	1953 I	1.3	1.6	2.7	4.5	8.7	3.1	1.7	4.9	3.4	8.6	55.4	52.4
	II	1.3	2.0	1.7	5.3	5.7	3.9	1.3	4.5	3.0	11.3	48.0	61.8
	III	1.7	2.0	4.9	3.7	5.9	1.9	1.3	4.2	3.1	10.8	47.7	40.0
	IV	0.2	1.5	6.8	4.0	5.1	2.0	1.0	4.3	3.8	9.0	51.0	33.8
	1954 I	0.7	1.5	4.6	5.1	9.1	2.0	1.1	4.4	3.4	10.9	43.0	30.8
	II	0.4	1.8	*4.0*	*7.0*	6.2	1.8	1.0	3.3	3.8	14.3	40.9	47.1
	III	*0.1*	*1.9*	*5.6*	*7.6*	3.9	1.5	1.6	4.6	3.9	12.9	44.1	41.6
Latin American Republics	1948	0.2	—	—	0.2	1.2	1.2	..	..	0.1	—	24.0	12.6
	1950	—	—	—	0.2	1.1	0.6	0.4	—	—	—	12.4	1.8
	1951	—	—	—	0.3	1.1	—	0.4	—	—	—	24.5	2.8
	1952	—	—	0.2	0.8	0.7	0.1	—	—	—	—	14.2	0.7
	1953	—	—	—	—	0.4	—	0.4	—	—	0.4	16.1	0.4
	1953 I	—	—	—	—	0.1	—	—	—	—	—	8.4	1.2
	II	—	—	—	—	0.2	—	—	—	—	—	12.4	0.2
	III	—	—	—	—	0.2	—	1.6	—	—	0.5	22.0	0.2
	IV	—	—	—	—	1.2	—	0.1	—	—	1.0	20.7	—
	1954 I	—	—	—	—	0.1	—	—	—	—	4.7	5.2	2.0
	II	—	—	—	—	0.5	—	0.1	0.1	—	6.3	5.0	0.7
	III	—	—	—	—	0.1	—	0.9	0.2	0.1	3.2	22.1	4.8
Oceania	1948	—	1.4	0.5	0.6	8.3	10.8	..	..	1.7	4.2	18.0	20.9
	1950	0.1	0.6	0.1	0.1	8.0	4.2	—	1.2	1.9	3.5	16.9	23.7
	1951	—	0.8	0.2	—	9.0	6.5	0.2	0.5	3.5	4.0	28.8	10.6
	1952	—	0.9	0.2	0.1	5.8	6.5	0.1	0.3	0.9	2.4	14.4	8.7
	1953	—	1.1	—	—	8.7	9.2	—	1.2	2.1	2.5	10.2	14.6
	1953 I	—	1.3	—	—	6.9	8.2	—	1.6	1.5	2.6	8.6	6.3
	II	—	0.6	—	—	9.9	11.8	0.1	0.8	2.1	2.2	12.6	24.0
	III	—	0.9	—	—	9.6	9.2	—	1.3	2.3	2.1	9.1	21.3
	IV	—	1.7	—	—	8.5	7.5	—	1.0	2.6	3.2	10.3	6.7
	1954 I	—	0.7	—	—	9.8	6.7	0.1	0.5	2.2	3.0	12.6	5.8
	II	—	0.7	—	—	10.4	5.8	0.2	0.5	2.9	2.8	15.0	7.3
	III	—	*1.7*	—	—	15.2	6.5	—	0.6	3.0	3.1	14.3	7.1
Sterling Area	1948	49.5	36.5	5.8	2.8	41.1	53.8	..	..	27.0	36.3	191.6	264.4
	1950	24.0	21.0	4.1	1.3	36.9	43.6	4.7	7.2	45.2	49.7	164.6	141.6
	1951	32.9	22.4	8.6	1.4	51.2	57.3	7.8	4.9	62.1	68.0	218.0	190.1
	1952	43.0	32.2	8.5	1.7	38.1	57.0	7.1	5.9	32.0	44.8	168.4	154.1
	1953	32.5	28.2	5.6	0.8	39.1	53.5	7.9	5.1	32.2	45.4	146.0	144.5
	1953 I	21.2	24.9	7.3	0.4	33.6	49.1	6.1	4.3	33.1	49.6	134.2	125.7
	II	48.7	26.3	7.8	1.3	38.7	59.3	10.4	4.2	31.5	47.4	122.7	168.4
	III	43.2	34.5	4.2	0.8	36.0	50.5	10.3	4.6	30.8	39.8	150.1	159.1
	IV	17.0	27.3	3.0	0.9	48.2	55.1	4.6	7.4	33.3	44.7	177.2	124.8
	1954 I	16.3	25.2	2.5	0.9	37.1	41.6	3.5	5.2	34.8	37.5	147.9	129.4
	II	35.5	29.2	*3.0*	*0.7*	51.6	45.6	12.0	4.0	34.2	38.4	128.4	155.9
	III	*43.6*	*32.1*	*2.2*	*1.7*	51.9	44.8	2.4	3.7	36.3	35.9	170.6	166.0
ECAFE Sterling Countries	1948	43.9	13.8	5.8	1.0	4.4	24.2	..	..	17.2	10.5	81.6	110.2
	1950	22.3	13.6	3.9	0.7	4.3	23.5	4.4	5.3	32.5	25.9	58.6	38.3
	1951	28.5	13.0	6.8	0.7	5.0	25.2	7.1	3.6	44.6	32.3	57.4	83.0
	1952	33.8	20.2	6.6	1.0	4.8	23.2	6.0	4.6	24.8	18.0	61.0	43.4
	1953	26.0	14.9	5.6	0.8	3.1	19.6	5.5	3.3	20.1	18.5	32.0	32.4
	1953 I	15.4	12.7	6.6	0.2	1.8	17.0	6.0	2.9	23.2	20.0	30.7	23.4
	II	46.5	15.8	8.5	1.5	1.3	19.3	8.2	2.6	19.7	19.9	31.1	44.7
	III	29.0	18.8	4.2	0.8	4.6	18.0	3.5	2.4	18.5	16.8	36.4	38.4
	IV	13.3	12.4	2.9	0.8	4.6	24.3	4.5	5.1	19.0	17.4	29.9	23.1
	1954 I	10.7	10.9	2.5	0.8	2.8	16.5	4.4	4.1	18.3	14.1	33.6	27.4
	II	32.3	16.7	*3.0*	*0.7*	3.6	20.7	11.1	2.3	19.6	16.4	28.9	38.4
	III	*37.6*	*16.3*	*2.2*	*1.7*	4.2	18.0	1.5	2.0	19.6	12.3	27.5	55.9

GENERAL NOTES:

1. Countries included in the total for ECAFE region are the following:
   i) Sterling countries—Burma, Ceylon, Hong Kong, India, Malaya, British Borneo and Pakistan.
   ii) Non-sterling countries — Cambodia-Laos-Viet-Nam, China, Indonesia, Japan, Philippines, Thailand and Korea.
2. Annual data are based on calendar years except for 1948 figures in the case of Burma, India and Pakistan, which are based on the twelve months ending September 1948 in the case of Burma, and ending March 1949 in the case of India and Pakistan.
3. Having regard to the considerable volume of trade of Cambodia-Laos-Viet-Nam and Indonesia with France and French Erane Area and the Netherlands respectively, these figures are shown separately below:—

or quarters

Million dollars

INDONESIA		JAPAN		MALAYA		PAKISTAN[c d]		PHILIPPINES		Year and Quarter		TRADE WITH
Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[e]			
17.8	28.4	16.9	112.4	60.0	27.4	12.4	6.6	53.8	120.2		1948	North America
33.4	22.2	50.3	114.8	94.9	8.8	11.4	8.8	62.7	66.1		1950	
51.9	41.6	52.0	217.7	113.0	20.9	8.3	8.0	65.8	89.0		1951	
58.7	41.2	63.8	237.4	60.1	18.0	5.6	10.1	60.4	80.3		1952	
42.7	34.1	65.2	242.4	45.1	12.7	7.4	4.2	66.4	83.4		1953	
45.5	34.9	61.6	233.1	55.5	13.1	12.4	6.1	69.7	82.9	I	1953	
50.5	34.8	73.3	213.0	42.9	12.6	6.7	3.4	73.2	94.9	II		
42.9	34.4	66.5	216.3	44.3	12.5	3.8	4.0	62.5	72.3	III		
31.9	32.3	59.6	307.0	37.6	12.5	6.8	3.5	60.4	83.4	IV		
28.8	23.9	62.6	351.1	40.8	13.3	7.1	5.2	69.5	80.5	I	1954	
36.4	22.8	*70.3*	*310.1*	47.6	12.0	5.7	4.1	69.9	90.8	II		
38.0	29.0	*90.7*	*211.4*	47.6	14.9	5.8	9.0	57.5	79.2	III		
17.2	26.9	16.4	110.4	53.8	24.6	12.0	6.0	52.4	117.7		1948	United States of America
33.2	21.5	45.8	106.8	85.6	7.2	11.0	8.2	61.6	63.9		1950	
51.6	40.2	47.4	171.8	97.5	17.8	7.9	7.6	64.6	85.5		1951	
58.3	39.6	58.6	192.1	53.6	14.9	5.6	9.1	59.5	76.6		1952	
42.3	33.8	58.5	189.4	39.2	11.4	7.2	4.1	65.9	80.6		1953	
45.2	34.5	57.0	181.4	48.5	11.7	12.3	5.9	69.5	80.4	I	1953	
50.1	34.3	66.9	177.2	37.6	11.4	6.5	3.2	73.0	91.6	II		
42.4	34.2	59.4	175.1	37.6	11.4	3.6	4.0	61.3	70.5	III		
31.5	32.0	50.6	223.8	32.9	11.3	6.6	3.4	59.7	79.7	IV		
28.6	23.7	53.9	273.3	35.1	11.9	7.0	4.8	68.8	77.4	I	1954	
36.1	22.6	*57.0*	*262.8*	41.0	10.7	5.5	3.6	68.5	85.6	II		
37.5	28.5	*76.8*	*176.3*	41.3	13.9	*5.7*	*7.2*	56.9	76.5	III		
0.1	0.7	0.4	20.9	1.6	1.2	1.8	0.2	1.3	3.8		1948	Latin American Republics
0.5	—	10.4	16.8	5.4	0.4	1.8	0.6	1.9	0.2		1950	
1.2	0.4	22.3	64.8	16.2	0.3	—	—	2.0	1.1		1951	
1.1	7.1	12.5	42.0	4.7	0.3	—	—	1.6	0.4		1952	
0.4	0.2	26.1	66.2	4.7	0.2	0.5	—	2.8	0.2		1953	
0.1	—	14.8	49.8	5.0	0.2	0.2	—	1.9	0.3	I	1953	
0.4	0.4	21.7	64.6	4.2	0.1	0.5	—	3.3	0.2	II		
0.5	0.3	25.3	65.8	4.2	0.4	0.7	—	3.8	0.1	III		
0.5	0.1	42.6	84.5	5.5	0.2	0.7	—	2.2	0.2	IV		
0.6	—	44.8	82.9	3.2	0.1	1.7	—	1.6	0.1	I	1954	
0.7	—	*42.4*	*64.9*	7.2	0.3	0.5	—	2.1	1.1	II		
1.6	—	*54.7*	*50.5*	10.4	0.2	*06*	—	4.6	0.8	III		
1.2	8.5	1.1	2.1	14.1	22.4	0.5	0.3	0.2	1.8		1948	Oceania
4.3	1.0	6.4	20.3	14.2	9.4	1.8	0.2	0.1	0.5		1950	
8.6	2.6	25.4	36.7	28.2	12.0	2.2	0.3	1.4	0.2		1951	
7.1	3.3	9.7	37.9	15.8	13.6	1.0	0.6	0.2	0.4		1952	
6.0	4.4	3.6	50.2	16.4	13.2	1.4	0.5	0.2	0.3		1953	
6.4	1.6	1.6	57.3	10.8	14.5	1.2	0.1	0.1	0.2	I	1953	
5.0	3.7	2.5	66.9	21.9	12.5	1.0	0.1	0.1	0.2	II		
6.9	7.4	3.6	43.0	15.6	11.9	1.6	0.3	0.2	0.3	III		
5.8	4.8	6.6	33.7	17.2	14.0	1.8	1.5	0.3	0.5	IV		
6.9	4.8	5.1	41.4	14.4	10.5	2.5	0.1	0.3	0.7	I	1954	
8.5	3.1	*6.2*	*36.2*	18.6	12.3	1.4	1.1	0.2	0.6	II		
8.8	2.1	*8.6*	*24.1*	14.9	11.7	*1.3*	*0.5*	0.1	0.9	III		
24.4	29.7	17.4	15.3	61.1	89.4	110.4	72.6	2.4	5.4		1948	Sterling Area
86.5	39.8	74.2	55.4	100.4	98.4	55.4	50.0	2.6	7.6		1950	
137.2	57.3	153.1	111.6	182.6	139.1	81.8	54.9	5.2	7.6		1951	
77.4	66.9	134.8	125.1	116.0	131.2	36.8	61.7	2.8	7.5		1952	
65.7	61.9	79.0	150.6	91.9	110.6	37.0	23.4	2.3	6.0		1953	
50.8	50.9	73.3	166.8	95.8	119.3	41.7	30.1	2.6	5.7	I	1953	
61.7	77.0	74.1	174.3	102.3	115.2	31.9	13.9	2.1	7.0	II		
75.7	64.5	81.6	143.1	86.8	104.7	37.8	21.6	2.3	4.9	III		
74.6	55.2	87.1	118.3	82.6	103.4	36.6	27.9	2.1	6.4	IV		
72.9	60.0	85.3	121.6	78.9	91.8	36.1	30.5	2.3	10.2	I	1954	
75.5	40.6	*109.3*	*138.8*	90.4	93.6	26.8	29.5	2.0	9.7	II		
93.6	42.2	*131.1*	*84.7*	94.9	93.8	*29.5*	*35.6*	1.9	9.2	III		
20.9	9.5	8.8	10.9	15.5	20.8	96.2	50.8	1.4	2.2		1948	ECAFE Sterling Countries
73.2	29.1	42.7	29.6	35.1	45.6	35.7	24.8	0.8	4.7		1950	
106.9	37.4	83.6	63.4	45.6	58.4	54.4	25.8	0.8	4.8		1951	
63.0	43.2	84.3	68.1	28.6	46.0	18.0	29.2	0.6	5.8		1952	
54.6	38.8	47.8	82.1	30.8	38.1	13.2	6.6	0.6	4.5		1953	
40.5	33.5	42.6	91.6	28.8	39.0	9.5	7.3	0.5	4.6	I	1953	
51.2	57.2	48.0	90.0	33.7	38.7	13.1	4.7	0.5	4.9	II		
63.4	35.7	48.7	79.7	28.9	37.8	18.3	7.0	0.9	4.2	III		
63.5	29.0	51.8	67.0	31.6	36.9	11.8	7.3	0.7	4.2	IV		
62.6	38.1	50.0	63.8	27.0	27.9	12.7	7.3	0.3	6.8	I	1954	
61.2	20.1	*67.4*	*82.1*	35.4	24.8	10.0	7.1	0.8	6.0	II		
71.7	21.7	*72.4*	*44.9*	35.7	28.1	*9.5*	*3.6*	0.5	5.7	III		

		Cambodia-Laos-Viet-Nam with France		*with French Franc Area*		*Indonesia with Netherlands*	
		Exp.	Imp.	Exp.	Imp.	Exp.	Imp.
1952		8.8	88.0	11.7	95.5	48.3	29.7
1953		5.2	77.2	7.0	80.7	46.1	22.1
	III	4.8	76.0	6.3	78.9	43.6	24.7
	IV	4.8	64.0	7.2	66.7	53.8	23.2
1954	I	3.1	59.5	5.2	62.7	43.5	17.6
	II	*3.3*	*61.4*	*6.1*	*63.9*	39.8	17.7
	III	*4.5*	*58.8*	*6.7*	*68.0*	38.4	15.6

a. For 1948, year ending 30 September.

b. Excluding FOA/MSA/ECA imports.

c. For 1948, year beginning 1 April.

d. Beginning 1951 exports and imports include overland trade (representing private account only).

e. Imports valued f.o.b.

EXTERNAL TRADE

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months

Millions

	1938[i]	1948	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
BURMA (K.)													
Cotton yarn and fabrics (incl. thread)	3.4‡	9.2†	13.3	14.1	16.9	18.6	16.9	15.9	13.7	17.0	12.8	16.6	*12.9*
Base metals and manufactures thereof	2.1‡	5.9†	3.1	6.0	7.3	7.7	8.4	8.0	9.6	10.6	9.0	10.4	*8.8*
Machinery and transport equipment	1.8‡	9.3†	3.9	6.7	8.1	9.9	7.2	9.7	10.0	16.3	13.2	16.4	*1.06*
CAMBODIA–LAOS–VIETNAM (Pr.)													
Live animals and food[a]	1.0	15.6	83.4	83.5	133.0	168.6	119.1[a]	138.4	141.9	150.0	168.7	223.3	..
Textiles and apparel, incl. yarn and thread	4.4	42.5	167.9	176.3	240.8	253.6	306.5	229.5	188.7[r]	217.1	229.1	320.0	..
Machinery and vehicles (incl. electric machinery and fittings) and base metals and manufactures thereof	3.3	56.8	128.0	171.5	237.3	308.2	227.7	240.0	274.2	255.6	245.9	192.5	..
CEYLON (Rs.)													
Food and drink	8.7	42.5	57.0	64.5	65.1	62.8	69.7	51.6	62.1	52.4	62.5	39.3	49.9
Raw materials and articles mainly unmanufactured	2.8	8.8	13.5	14.3	13.6	13.9	10.9	12.6	10.9	13.0	12.2	9.8	6.3
Articles wholly or mainly manufactured	7.8	29.9	58.2	61.7	53.9	53.2	54.5	46.1	47.7	49.3	58.4	46.6	60.2
Cotton yarn and manufactures	1.4	10.3	11.8	10.4	9.1	8.1	9.9	8.0	7.5[r]	8.3	10.9	9.5	8.7
Machinery and vehicles	1.0	5.2	11.0	14.1	12.7	12.5	10.9	8.4	8.7	8.7	10.6	5.4	11.0
Base metals and manufactures thereof	0.9	2.6	6.1	6.2	5.5	5.3	5.6	4.6	4.4	4.7	7.0	3.0	5.9
Electrical goods and apparatus	0.3	0.9	2.3	1.8	2.0	2.2	2.5	1.9	1.7	2.0	1.7	1.1	2.8
CHINA[b] (Taiwan only, $)													
Beans and peas	..	..	0.8	1.3	1.3	1.7	1.1	1.0	1.8	1.2	3.3	—	..
Wheat and wheat flour	..	..	0.7	1.0	1.2	1.9	0.9	1.3	1.1	3.4	0.7	0.1	..
Cotton, Raw	..	..	0.8	0.8	1.6	3.3	0.7	1.5	2.3	1.3	1.9	2.9	..
Chemical Fertilizers	..	..	1.2	2.9	1.1	0.7	0.8	1.0	0.7	1.8	7.2	3.2	..
Medicines and drugs	..	..	0.5	1.8	0.5	0.7	0.6	0.6	0.5	0.6	0.6	0.7	..
Iron and steel manufactures	..	..	..	1.3	1.1	1.4	1.1	0.6	1.1	1.4	0.8	1.1	..
Machinery and vehicles	..	..	0.9[s]	1.5	1.8	2.4	1.7	1.4	2.0	2.0	2.2	2.0	..
INDIA[c] (Rs.)													
Food and drink	14.9	73.7	175.8	188.1	90.7	86.0	46.6	28.9	40.1	75.8	121.8	119.1	101.6
Raw materials and articles mainly unmanufactured	30.5	88.3	186.9	186.1	132.4	149.7	110.2	144.6	202.5	148.9	142.6	133.9	122.9
Cotton, raw and waste	9.2	38.8	94.3	95.8	41.5	46.3	20.1	45.2	74.2	39.3	33.5	29.9	35.4
Mineral oils	13.6[j]	26.7	53.2	65.0	65.7	72.1	65.8	71.7	95.8	78.2	65.4	64.6	58.3
Articles wholly or mainly manufactured	78.0	224.5	270.7	247.1	227.5	225.1	233.6	232.5	223.6	249.4	251.9	321.4	238.4
Machinery and vehicles	22.1	89.4	104.1	104.5	91.9	87.4	91.1	95.9	81.9	97.2	88.8	120.0	97.9
Implements and instruments	4.9[k]	7.7	10.5	8.5	8.3	8.2	8.7	8.3	14.2	12.6	13.0	16.2	13.8
Electrical goods and apparatus	2.8	8.0	7.6	10.8	11.9	12.1	8.2	9.5	9.3	7.9	8.4	12.5	7.3
Base metals and manufactures thereof	8.9	26.4	33.2	37.4	32.3	34.6	32.0	30.5	39.0	48.0	45.0	56.7	44.3
INDONESIA (Rp.)													
Food	7.3	9.5	27.0	162.3	118.5	106.1	88.4	127.8	72.4	67.6	62.8	72.4	..
Textiles	10.3	23.5[p]	89.0	217.8	212.9	262.1	207.5	214.6	214.9	153.5	92.9	100.6	..
Base metals (incl. ores) and manufactures thereof	4.9	4.2	12.1	89.9	67.9	90.9	63.7	60.7	74.7	67.1	49.9	46.0	..
Machinery and appliances (incl. electrical material)	5.1	6.8	8.6	36.4	50.7	60.6	49.4	74.8	86.7	103.3	62.1	67.1	..
Transport equipment	3.0	3.7	6.6	19.7	62.5	59.7	79.7	41.1	30.2	28.8	30.0	31.2	..

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months — *Millions*

	1938[i]	1948	1951[q]	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
JAPAN ($)													
Food	19.5[m]	26.7[m]	41.5	49.6	50.4	42.7	57.6	69.2	67.8	42.5	35.8	33.8	..
Cereal and cereal preparations	..	..	31.3	36.1	36.1	28.8	44.2	57.0	54.6	29.3	22.3	22.9	..
Sugar and sugar preparations	..	..	8.0	9.8	10.5	10.5	8.7	8.9	9.7	10.0	8.5	7.9	..
Crude materials (inedible) other than fuels	..	..	87.2	80.6	96.2	99.9	100.3	109.2	107.6	76.1	83.0	72.8	..
Oil-seeds, oil nuts & oil kernels	..	..	5.1	3.2	6.7	6.0	4.7	12.5	8.1	5.1	3.6	6.4	..
Crude rubber, including synthetic and reclaimed	..	..	4.5	4.1	4.2	4.3	4.2	3.7	3.0	3.4	4.2	4.2	..
Textile fibers, raw	..	..	48.7	49.7	55.5	58.8	57.1	56.4	62.7	40.5	50.3	36.6	..
Metalliferous ores and metal scrap	..	..	10.7	12.1	14.4	14.1	16.5	18.0	17.1	12.5	9.7	10.6	..
Mineral fuels, lubricants and related materials	..	..	16.4	19.5	24.1	22.7	25.4	24.3	22.0	21.4	19.8	22.7	..
Chemicals	4.2	3.9	3.8	3.7	5.8	6.2	5.8	6.6	6.5	4.1	3.8	4.0	..
Machinery and transport equipment	3.5	0.1	7.0	7.6	13.4	14.0	18.6	17.8	15.5	14.1	14.4	9.4	..
Other manufactured goods	..	..	7.0	4.9	7.5	8.4	8.6	9.0	7.9	6.1	..	..	..
MALAYA (M$)													
Food	11.9	48.2	82.0	84.2	79.4	91.3	77.9	63.3	59.8	62.7	..	..	..
Cotton yarn and manufactures	2.2	17.9	30.0	18.2	17.8	17.6	17.3	14.4	14.3	16.4	..	..	..
Machinery and vehicles	3.1	9.9	22.9	27.9	18.2	14.3	14.2	14.3	18.0	15.7	..	..	..
Base metals and manufactures thereof	1.6	4.7	15.0	14.8	12.6	10.4	9.7	11.2	12.5	10.9	..	..	..
Electrical goods and apparatus	0.5	2.4	5.2	5.6	5.4	4.4	4.4	5.1	5.5	6.6	..	..	..
PAKISTAN (Rs.)													
Mineral oils	..	..	2.3‡	6.1	8.5	8.3	11.8	8.8	8.3	2.6	7.8	9.9	13.0	20.5
Cotton piecegoods	..	..	22.4‡	27.5	23.0	1.2	—	—	0.3	0.7	5.9	4.0	2.6	2.4
Cotton twist and yarn	..	..	9.4‡	18.0	16.3	4.0	5.3	6.5	4.4	4.1	5.8	2.8	1.7	1.2
Machinery and vehicles	..	..	8.6‡	17.2	21.6	12.0	11.1	12.6	20.0	20.6	34.8	40.0	25.9	26.0
Iron and steel manufactures	..	..	..	7.2	14.0	4.9	2.7	7.7	6.7	5.7	6.1	5.2	3.3	3.0
PHILIPPINES[d] (P.)													
Grains and preparations[e]	1.3[n]	7.0	7.5	6.1	3.4	3.9	3.0	3.4	4.5	2.9	5.3	..	..
Cotton and manufactures[f]	3.6	11.4	12.2	9.2	12.3	7.4	9.8	12.2	14.1	11.9	17.3	..	..
Rayon and other synthetic textiles[f]	0.4	8.8	2.3	3.9									
Mineral oils (petroleum products)[g]	0.9	5.7	6.0	6.6	7.6	6.9	7.2	9.1	9.0	10.0	6.4	..	..
Machinery and vehicles (incl. spare parts)	2.7	8.9	7.0	9.7	9.7	7.9	11.4	12.6	11.9	10.4	11.2	..	..
Iron and steel manufactures[h]	1.8	4.7	6.0	4.0	7.7	6.1	7.2	7.3	8.9	15.4	..	..	..

a. From 1954, figures relate to food only.
b. Including FOA/MSA/ECA imports.
c. For 1938, former British Provinces and Indian States.
d. Imports valued f.o.b.
e, f, g, h. From 1953 onwards, changed respectively into cereals and preparations; textile yarn, fabrics and made up articles; mineral fuels, lubricants and related materials; and base metals and manufactures.
i. 1936 for Japan, 1939 for Indonesia.
j. Including vegetable and animal oils.
k. Including cutlery and hardware.
m. Including drink.
n. 1937.
p. Comprise cotton yarn and cotton piecegoods.
q. Average of Jul-Dec for Japan.
s. Excluding Vehicles.

EXTERNAL TRADE

7. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months — *Millions*

	1938[c]	1948	1951[e]	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
BURMA (K.)													
Rice and products	18.2‡	48.7†	60.3	82.6	70.7	60.3	43.4	78.4	95.4	62.9	87.7	60.8	67.2
Raw rubber	0.5‡	0.5†	2.4	2.2	2.0	0.3	0.7	2.2	1.8	1.0	0.2	1.0	0.6
Teak	2.5‡	4.6†	4.0	3.0	2.4	2.4	2.5	2.2	1.7	1.8	2.6	1.1	2.9
Metal and ores	4.8‡	1.8†	3.5	5.0	3.9	4.8	1.2	3.0	1.0	1.3	2.8	1.4	2.6
CAMBODIA-LAOS-VIETNAM (Pr.)													
Food	13.4	52.2	110.0	77.1	99.6	110.7	138.0	161.0	137.4	97.3	182.3	131.3	..
Rice	8.2	37.7	73.9	66.3	86.8	101.8	115.3	150.8	125.8	85.5	140.3	82.4	..
Rubber	4.2	25.8	102.7	71.8	88.6	106.2	124.3	78.7	74.7	89.8	201.0	103.9	..
Mineral products	1.2	2.6	6.1	6.8	13.1	21.1	21.3	14.1	15.2	25.2	20.7	22.7	..
CEYLON (Rs.)													
Tea	14.4	49.2	66.7	60.3	68.8	69.1	66.9	81.1	98.6	100.1	85.1	94.7	103.9
Coconut and products	2.3	12.8	26.9	19.5	20.5	21.1	24.4	15.0	15.5	23.1	25.8	19.1	13.2
Rubber	3.8	12.0	48.5	31.1	28.1	25.6	29.0	28.3	10.3	30.5	15.8	51.4	11.0
CHINA (Taiwan only, $)													
Rice	..	..	1.3	1.2	1.1	0.4	2.2	—	2.3	—	—	—	0.5
Fruits, fresh, dried and preserved	..	..	0.5	0.6	0.5	0.5	0.5	0.3	0.8	0.9	1.2	0.3	0.8
Tea	..	..	0.6	0.5	0.6	0.6	0.6	0.3	0.8	1.1	1.3	0.7	1.0
Sugar	..	..	4.2	4.6	7.1[r]	11.9	7.7	4.1	8.7	3.0	1.3	1.5	4.0
Essential oils	..	..	0.3	0.2	0.2	0.1	0.1	0.1	0.2	0.3	0.4	0.2	0.4
INDIA[a] (Rs.)													
Food and drink	30.6	58.9	119.6	109.1	117.2	123.9	161.2	104.9	82.3	156.5	170.9	271.9	246.8
Tea	19.6	46.5	78.7	66.7	85.5	97.4	131.6	70.6	44.8	125.3	141.9	235.6	207.4
Spices	0.7	4.0	24.9	19.0	13.8	8.1	11.1	17.5	10.2	9.2	5.7	8.5	9.8
Raw materials and articles mainly unmanufactured	59.5	90.3	127.7	116.4	97.4	73.9	91.2	79.2	75.9	73.9	92.3	102.7	116.4
Cotton raw and waste	19.9	18.6	21.4	20.3	16.7	9.2	15.1	18.7	10.5	11.2	17.5	24.4	21.0
Hides and skin raw or undressed	3.0	5.0	8.3	4.9	4.9	4.8	4.7	5.5	6.2	5.3	4.2	5.6	6.3
Vegetable oil other than aromatic	0.7	10.9	25.4	20.0	7.8	2.7	1.7	1.0	4.8	9.5	19.0	13.5	25.1
Articles wholly or mainly manufactured	40.2	192.3	347.6	244.6	201.5	210.0	218.3	218.6	194.6	218.6	182.5	258.2	221.7
Cotton yarns and manufactures	6.3	30.8	78.4	60.4	52.8	53.6	58.4	70.0	52.2	54.9	57.5	64.6	63.7
Jute yarns and manufactures	21.8	126.3	200.3	135.6	92.1	103.9	102.7	90.8	95.8	112.8	75.9	133.4	106.2
Hides and skins tanned or dressed and leather	4.4	9.9	27.8	14.6	21.1	17.7	20.2	23.3	15.1	16.3	17.8	20.6	15.3
INDONESIA (Rp.)													
Tea	4.7	1.8	11.6	20.9	22.3	20.4	23.4	31.1	36.4	31.7	37.7	47.1	..
Copra	3.2	13.1	40.7	43.2	54.1	59.9	72.2	59.3	58.2	55.1	42.1	57.5	..
Rubber	13.0	21.3	206.9	344.7	256.6	272.2	204.1	189.2	204.2	287.6	325.4	275.7	..
Tin (and tin ore)	2.8	12.3	25.7	78.0	77.2	87.5	86.1	50.1	50.1	63.4	86.3	54.1	..
Petroleum and products	13.5	21.7	52.8	162.1	191.0	218.0	200.0	209.5	189.2	221.3	208.1	229.2	..
JAPAN ($)													
Food	7.3[d]	0.9[d]	5.6	8.0	10.4	10.9	8.0	9.6	9.5	11.2	13.0	11.6	..
Fish and fish preparations	..	..	3.6	3.8	5.1	5.8	5.2	5.8	5.5	6.7	8.4	5.3	..
Crude materials (inedible) other than fuels	..	..	7.9	7.0	5.9	6.5	5.2	5.8	6.6	7.5	7.1	6.8	..
Textiles fibers	..	..	5.4	4.1	3.9	4.5	4.0	3.7	4.0	4.5	3.9	4.2	..
Chemicals	3.6	0.9	3.4	3.3	5.2	2.6	4.3	4.3	8.0	6.7	7.2	5.9	..
Fertilizers, manufactured	..	..	0.5	1.3	2.7	0.6	3.4	1.4	5.0	3.1	2.6	2.3	..
Textile yarn, fabrics, made-up articles and related products	..	..	41.3	30.5	31.3	34.1	39.9	42.3	42.7	46.0	52.3	42.4	..
Base metals and manufactures of metals	7.5	1.0	27.7	28.4	15.6	13.2	16.0	16.7	16.0	20.2	..	..	..
Machinery & transport equipment	6.2	1.3	8.4	9.7	16.2	14.4	15.5	13.8	17.0	17.1	17.1	23.1	..
Other manufactured goods	..	..	18.1	17.1	19.1	20.3	21.7	19.7	23.5	28.3	..	..	..
MALAYA (M$)													
Food	4.7	11.2	28.4	27.9	21.0	24.8	21.8	22.7	26.5	28.9	..	..	..
Rubber	23.2	73.2	330.1	157.6	103.2	88.8	91.6	94.8	100.5	113.8	..	..	..
Tin (block, ingots, bars or slabs)	8.0	17.9	48.2	43.0	32.6	28.1	25.0	31.6	33.2	40.1	..	..	..
PAKISTAN (Rs.)													
Raw jute	..	59.3‡	96.9	58.0	47.6	48.5	43.3	51.2	42.4	36.9	34.4	60.3	59.0
Raw cotton	..	31.6‡	80.2	72.0	52.7	42.0	39.7	46.1	37.7	15.1	13.6	11.2	27.4
Raw wool	..	2.8‡	4.9	4.1	4.3	3.9	4.9	2.0	4.8	4.2	1.2	2.7	5.5
Hides and skins	..	3.1‡	4.9	2.8	3.3	3.1	2.8	3.9	2.6	2.3	1.5	2.3	3.3
Tea	..	3.1‡	5.0	2.7	2.9	4.5	4.3	0.6	1.2	4.9	5.9	10.6	10.5
PHILIPPINES (P.)													
Abaca (unmanufactured)	1.7	5.0	11.2	6.8	6.5	5.8	5.3	5.4	4.2	4.1	..	4.4	..
Coconut products	4.9	34.6	32.8	20.2	25.5	29.4	30.4	26.3	25.3	30.1	..	30.9	..
Sugar centrifugal	7.7	3.5	11.4	15.0	15.6	14.5	10.4	23.0	21.3	12.8	..	6.3	..
THAILAND[b] ($)													
Rice	3.6‡	10.6	16.5	18.0	17.8	19.0	14.0	12.5	10.4	12.0	..	12.7	..
Tin ore and concentrates	1.1‡	1.2	1.9	1.9	1.7	1.2	1.9	1.0	1.7	1.6	..	1.7	..
Rubber	0.9‡	2.8	8.1	4.2	3.1	3.0	2.5	3.1	3.2	3.5	..	4.2	..
Teak	0.2‡	0.4	0.6	0.4	0.6	0.7	0.8	0.8	0.9	0.8	..	0.8	..

a. For 1938, former British Provinces and Indian States.
b. Value in dollars is supplied by the Bank of Thailand.
c. 1936 for Japan.
d. Including drink.
e. Average of Jul-Dec for Japan.

8. QUANTITY OF EXPORTS OF SELECTED COMMODITIES

Monthly averages or calendar months — *Thousand tons*

	1938	1948	1951	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
RICE													
Burma	273.3‡	105.9†	110.2	109.4	86.9	72.7	57.7	119.6	147.3	105.0	151.4	116.8	*110.7*
Cambodia–Laos–Viet-Nam	76.4	19.4	29.7	20.4	17.3	16.1	20.4	33.0	34.4	27.4	46.1	27.9	..
China (Taiwan only)	..	..	7.1	8.8	4.9	1.7	10.3	—	11.0	—	—	..	..
Thailand	125.8	67.7	131.4	118.8	111.7	118.7	88.1	84.6	77.1	92.0	98.2	..	..
SUGAR													
China (Taiwan only)	..	..	23.6	38.3	66.8	130.5	48.3	41.9	83.0	28.2	12.2	13.8	..
Indonesia	89.3	5.3	0.5	0.1	7.8	9.5	21.4	4.9	6.2	35.1	41.7	25.1	..
Philippines	68.2	18.1	47.2	66.1	64.3	56.9	47.8	95.1	86.0	52.1	26.6	..	..
TEA													
Ceylon	8.9	11.2	11.5	11.9	12.8	13.2	12.9	13.3	15.5	14.0	12.2	9.7	12.8
India	13.4[c]	13.2	17.0	15.5	18.8	20.7	27.8	13.4	7.4	20.2	21.0	31.3	*27.0*
Indonesia	6.0	0.7	3.3	2.7	2.4	2.1	2.5	3.1	3.3	2.9	3.2	3.7	..
Japan	1.4[d]	0.3	0.7	0.8	1.1	1.3	1.6	0.7	0.5	2.3	3.1	2.0	..
Pakistan	..	1.2	1.8	0.9	1.0	1.5	1.4	0.1	0.7	1.3	1.3	..	..
COPRA AND COCONUT OIL[a]													
Ceylon	8.7	9.2	10.3	11.1	9.0	8.1	10.7	6.7	6.6	10.5	10.4	9.6	6.5
Indonesia (copra)	25.8[e]	12.1[g]	23.1	17.1	15.3	18.1	20.2	13.9	15.8	16.2	12.9	17.5	..
Malaya	13.4	7.1	10.4	8.7	8.7	8.5	12.6	11.3	9.0	10.4	*12.1*	..	..
N. Borneo	0.4	0.3	0.9	0.6	0.7	0.7	0.8	1.0	1.2	1.8	1.6	..	..
Philippines	28.9[e]	35.3	45.0	40.3	35.1	45.0	42.7	36.0	39.8	50.9	54.8	..	..
PALM KERNELS AND OIL[a]													
Indonesia (palm oil)	14.2	3.3	8.1	10.1	11.0	11.1	16.4	9.1	9.1	10.8	26.8	10.3	..
Malaya	3.1	4.4	4.5	4.3	4.6	5.4	4.9	4.5	5.4	4.8	..	..	..
GROUND NUTS AND OIL[a]													
Hong Kong	1.2	0.4	0.7	0.8	0.5	0.1	0.2	0.3	0.3	0.2	0.2	0.2	0.2
India	22.0[c]	5.5	5.8	5.6	1.7	—	—	0.2	0.8	0.8	7.3	6.1	11.7
NATURAL RUBBER													
Brunei	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	..
Burma	0.6	0.8	0.8	1.2	0.9	0.2	*0.8*	*1.1*	*0.9*	*0.4*	*0.1*	*0.5*	..
Cambodia and Viet-Nam	5.0	3.5	4.4	5.1	6.0	6.6	7.9	*5.9*	*5.9*	*6.0*	*12.9*	*6.2*	..
Ceylon	4.2	7.8	8.8	7.6	8.2	7.9	8.8	9.5	3.9	8.7	5.4	7.9	11.8
Indonesia	25.5	36.6	67.2	61.8	57.1	63.0	54.1	54.5	55.4	64.0	67.4	52.5	..
Malaya (net export)	31.4	57.5	51.5	48.4	48.2	45.9	52.5	48.1	46.7	47.6	50.4	47.5	54.9
N. Borneo	0.8	1.7	1.8	1.6	1.4	1.4	1.4	1.4	1.3	1.5	1.5	1.6	..
Sarawak	1.5	3.4	3.6	2.7	2.0	2.2	1.4	1.5	1.7	2.0	2.4	2.0	..
Thailand	3.5	8.1	9.2	8.3	8.1	8.1	7.8	10.3	8.7	9.6	9.9	9.7	..
COTTON, RAW													
India	38.6[c]	8.0	2.3	4.4	3.8	0.9	2.3	3.2	1.3	1.4	2.6	3.8	3.5
Pakistan	..	13.6	18.3	20.4	23.6	19.6	17.9	18.9	15.0	6.3	5.6	5.1	10.9
COTTON YARN (metric tons)													
Hong Kong	..	..	1,732	1,300	1,190	883	1,505	1,087	752	1,825	721	1,411	940
Japan	2,084[d]	458	1,025	1,117	801	1,195	1,098	804	988	1,346	..	..	..
Malaya	197	22	167	119	113	92	143	95	42	45	..	..	..
COTTON PIECE GOODS (Mn metres)													
Hong Kong[b]	..	..	12.2[b]‖	10.1	9.3	6.4	10.0	11.6	14.4	8.8	10.5	10.5	10.4
India	14.6[c]	23.5	59.1	45.7	50.0	49.4	58.5	73.4	59.4	60.0	63.8	70.4	72.3
Japan (Mn sq. metres)	200.2[d]	28.2[b]	75.3	52.0	63.7	67.9	77.8	91.2	84.1	82.5	101.6	80.3	..
Malaya[b]	2.0	7.5‖	14.5	9.6	8.0	5.7	4.0	3.5	3.1	2.0	..	..	..
JUTE													
Pakistan (raw)	..	28.1‡	88.7	70.0	81.7	83.5	75.9	79.6	70.9	61.5	62.2	100.3	93.3
India (bag and cloth)	78.9[f]	78.4	67.1	60.0	60.3	67.7	68.6	60.2	64.4	76.4	50.1	90.0	70.7
HEMP, RAW													
Philippines	11.8	6.2	10.3	9.1	9.3	8.7	7.9	8.6	7.4	8.2	9.9	..	..
TIN CONCENTRATES (tons)													
Burma	171	155	125	118	*81*	*81*	*81*	*81*	*81*	*81*	*81*	*81*	..
Indonesia	1,160	2,753	2,604	2,929	2,771	3,155	3,143	2,364	2,670	3,181	4,073	2,540	..
Thailand	1,145	479	746	825	863	662	1,085	*762*	*873*	*824*	*886*	..	..
TIN METAL (tons)													
Malaya	5,180	3,998	5,500	5,429	5,228	5,326	4,966	5,980	5,617	6,595	6,279	5,490	5,054
PETROLEUM AND PRODUCTS													
Indonesia	506	321	506	618	800	877	855	762	718	852	831	929	..
Malaya	84	82	163	204	225	222	262	214	236	235	..	..	..

a. Expressed in terms of oil equivalent; figures under column for 1938 relate to averages for the period 1934-1938.

b. Unit for cotton piecegoods changed from metres to square metres beginning 1960 for Malaya and beginning 1952 for Hong Kong.

c. Former British Provinces and Indian States.

d. 1936.

e. Average of 1935-1939.

f. Converted at 2.25 lb. per bag and 0.50 lb. per yard of cloth.

g. Excluding exports to Singapore from Indonesia.

EXTERNAL TRADE

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE

1948 = 100[a]

	1938	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
A. Unit Value													
BURMA[r] (Oct 1947–Sep 1948 = 100)													
Imports	29‡	134†	96†	82	71	71	82	70	64	63	70	70	..
Exports	17‡	108†	168†	163	174	176	168	146	136	132	122	122	..
CAMBODIA–LAOS–VIET-NAM[b]													
Imports	8	122	140[b]	129	172	205	207	202	204	206	200	202	..
Exports	11	147	182[b]	113	139	157	143	139	130	133	141	143	..
CEYLON													
Imports: General	23	98	116	125	114	120	121	116	112	112	110	..	..
Food, drink & tobacco	..	..	116	133	124	130	129	121	117	117	113	..	..
Raw materials & semi-manufactures	..	..	126	140	109	102	117	121	119	117	116	..	..
Manufactures	..	..	114	116	105	109	108	108	103	102	105	..	..
Exports: General	32	144	175	136	139	135	138	144	146	154	168	..	..
Tea	37	127	132	116	124	120	125	139	147	154	177	..	..
Rubber	58	222	367	255	223	217	206	177	169	202	192	..	..
All coconut products	14	144	169	105	126	125	125	134	122	114	114	..	..
INDIA[c] (Apr 1948–Mar 1949 = 100)													
Imports: General	28‡	104	128	130	116	110	112	115	115	114	118	..	..
Food, drink & tobacco	..	104	118	139	118	110	117	120	137	147	149	..	..
Raw materials & semi-manufactures	..	113	154	139	130	125	134	133	124	123	133	..	..
Manufactures	..	97	118	121	109	103	102	106	104	102	102	..	..
Exports: General	24‡	110	160	131	112	112	111	109	109	114	114	..	..
Food, drink & tobacco	..	127	149	141	141	140	137	155	164	164	165	..	..
Raw materials & semi-manufactures	..	114	151	138	142	145	155	144	143	134	130	..	..
Manufactures	..	103	169	124	91	92	89	87	87	88	82	..	..
INDONESIA[d]													
Exports: General	31	177	265	537	*424*	*392*	*362*	*402*	*403*	*429*	..	..	..
Estate produce	38	185	273	615	*498*	*469*	*438*	*451*	*452*	*512*	..	..	..
Peasant produce	27	171	219	487	*374*	*337*	*307*	*367*	*369*	*370*	..	..	..
Forest produce	12	99	148	358	*378*	*378*	*382*	*425*	*418*	*382*	..	..	..
JAPAN[e] (1934-36 = 100)													
Imports: General	..	303	432	382	331	326	326	321	322	324	319	..	..
Food	..	302	353	364	347	343	333	320	308	301	295	..	..
Crude materials, inedible	..	343	538	418	349	346	351	352	360	370	366	..	..
Textile fibers	..	297	478	367	310	308	318	319	326	338	331	..	..
Metalliferous ore	..	218	420	441	341	329	326	327	317	..	..	..	..
Mineral fuels	..	254	352	433	345	341	350	328	332	326	330	..	..
Chemicals	..	220	368	364	325	274	292	272	275	271	267	..	..
Machinery & transport equipment	..	297	279	299	283	305	317	304	307	339	214	..	..
Exports: General	..	295	459	431	384	397	398	391	382	378	381	..	..
Food	..	341	342	360	366	379	388	402	403	384	373	..	..
Chemicals	..	345	413	409	398	448	467	485	453	471	591	..	..
Manufactured goods	..	296	474	425	360	370	374	363	364	358	349	..	..
Textiles	..	324	475	404	330	341	365	335	334	337	330	..	..
Base metals	..	231	471	450	380	384	390	388	382	355	332	..	..
Machinery & transport equipment	..	303	392	372	375	396	368	359	347	377	401	..	..
MALAYA[f]													
Imports	36	115	144	129	121	119	115	110	110	107	..	..	..
Exports	43	173	258	188	150	141	131	129	139	141	..	..	..
PAKISTAN[g] (Apr 1948–Mar 1949 = 100)													
Imports	..	75	96	84	83	84	90	91	77	81	..	..	..
Exports	..	89	119	89	62	62	61	68	66	65	62	64	69
PHILIPPPINES (1948-1949 = 100)													
Imports[h]	..	95	108	106	101	99	99	98	100	93	..	..	..
Exports	30	93	99	78	95	90	93	94	85	80	..	..	..

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE (*Cont'd*)

1948 = 100[a]

	1938	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
B. *Quantum*													
BURMA[f] (Oct 1947–Sep 1948 = 100)													
Imports	197‡	94†	102†	155	149	164	152	146	191	195	201	197	..
Exports	254‡	68†	71†	99	85	88	70	112	124	84	124	96	..
CAMBODIA-LAOS-VIET-NAM[b]													
Imports	85	151	189	166	158	159	142	143	138	141	146	170	..
Exports	259	88	132	126	133	129	186	147	153	146	266	165	..
CEYLON													
Imports: General	89	121	135	138	144	144	153	127	145	142	164	..	..
Food, drink & tobacco	..	..	115	114	124	117	133	107	131	114	127	..	..
Raw materials & semi-manufactures	..	..	133	114	152	218	176	181	175	224	301	..	..
Manufactures	..	..	163	177	172	170	177	146	160	170	194	..	..
Exports: General	80	110	112	117	120	123	123	119	122	144	110	..	..
Tea	80	101	103	106	113	118	109	119	137	133	98	..	..
Rubber	56	127	110	100	103	92	111	124	52	126	70	..	..
All coconut products	132	131	149	172	158	171	183	111	132	205	188	..	..
INDIA[c] (Apr 1948–Mar 1949 = 100)													
Imports: General	106‡	88	108	105	84	90	76	78	88	90	94	..	..
Food, drink & tobacco	..	73	146	137	75	77	40	25	28	50	81	..	..
Raw materials & semi-manufactures	..	123	112	124	96	110	77	101	150	111	99	..	..
Manufactures	..	79	92	84	83	87	91	89	85	98	98	..	..
Exports: General	172‡	115	114	106	109	106	121	111	95	113	115	..	..
Food, drink & tobacco	..	109	122	117	124	130	167	101	78	138	154	..	..
Raw materials & semi-manufactures	..	103	114	101	83	62	69	70	63	66	82	..	..
Manufactures	..	122	111	103	114	117	126	131	115	127	114	..	..
JAPAN[e] (1934-36 = 100)													
Imports: General	..	33	48	54	74	74	82	92	87	63	64	..	..
Food	..	48	66	76	82	70	99	123	125	80	68	..	..
Crude materials, inedible	..	33	47	48	69	72	74	77	74	51	56	..	..
Textile fibers	..	40	51	53	70	75	71	69	76	47	60	..	..
Metalliferous ore	..	25	65	95	147	149	176	191	188	145	..	..	..
Mineral fuels	..	32	69	82	127	121	133	136	122	120	110	..	..
Chemicals	..	35	28	34	59	75	65	81	80	50	47	..	..
Machinery & transport equipment	..	5	47	70	131	130	164	163	140	115	186	..	..
Exports: General	..	30	31	31	35	34	38	37	42	47	54	..	..
Food	..	20	26	36	45	46	42	38	38	47	59	..	..
Chemicals	..	12	24	27	43	20	43	30	58	48	40	..	..
Manufactured goods	..	36	40	38	37	36	42	45	46	54	69	..	..
Textiles	..	28	31	25	31	33	38	41	42	45	52	..	..
Base metals	..	128	123	157	95	79	89	98	95	130	234	..	..
Machinery & transport equipment	..	43	51	58	93	71	94	85	111	100	94	..	..
MALAYA[f]													
Imports	81	137	182	162	130	133	130	128	131	142	..	..	..
Exports	73	127	134	114	101	104	102	107	106	116	..	..	..
PHILIPPINES (1948-1949 = 100)													
Imports[h]	..	61	76	69	70	66	69	77	85	84	84	..	..
Exports	157	134	151	169	150	164	146	169	177	178	163	..	..
C. *Terms of Trade* *Percentage of unit value index of exports to unit value index of imports.*													
BURMA[f]	59‡	81†	175†	199	245	249	205	209	214	209	174	174	..
CAMBODIA—LAOS—VIET-NAM	138	117	123	84	81	77	69	69	64	64	70	71	..
CEYLON	139	147	151	109	122	112	114	124	131	138	153	..	..
INDIA	86‡	106	125	100	96	91	100	95	95	100	96	..	..
JAPAN	..	97	106	113	116	122	122	122	119	117	119	..	..
MALAYA	120	151	179	146	124	118	114	117	126	132	..	..	..
PAKISTAN	..	118	125	103	75	74	67	75	86	80	..	..	..
PHILIPPINES	..	97	92	73	94	91	93	96	85	86	..	..	..

a. Original base: *Burma*, 1 Oct 1951-30 Sep 1952; *Cambodia-Laos-Viet-Nam*, 1938 for quantum index and Jan-Jun 1939 for unit value index prior to 1952; *Ceylon*, 1934-38 for period prior to 1950 and 1948 since 1950; *Indonesia*, 1938; *Malaya*, 1938 for period prior to 1953 and 1952 since 1953; *Philippines*, 1937.
b. Beginning from 1952, new series with 1950 as 100.
c. Overland trade excluded.
d. Weighted index numbers of 18 export products at f.o.b. prices. Figures from Apr 1950 to Feb 1952 exclude the value of exchange certificates. The rise beginning Feb 1952 is principally due to the change in the conversion rate of the rupiah from 3.80 (excluding the value of exchange certificates) to 11.40 per dollar.
e. The commodity groups are abridged titles of selected SITC sections and divisions. Unit value index based on prices in terms of dollars.
f. Figures from 1953, though linked to previous figures, have different treatment in imports and exports of petroleum products.
g. Index of f.o.b. export prices.
h. Based on f.o.b. import prices.

10. INDEX NUMBERS OF WHOLESALE PRICES

1948 = 100[a]

	1949	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
BURMA													
All agricultural produce	123	115	133	114	111	117	122	108	111	111	113	115	..
Cereals	96	98	104	99	93	97	98	84	92	96	102	105	..
Non-food agricultural produce	161	196	205	155	144	158	163	165	165	155	142	157	..
CHINA[b] (Taipei, Jan-Jun 1950 = 100)													
General index	58	111	183	225	245	251	257	258	255	244	242	244	..
Food	58	104	140	173	222	236	242	250	242	220	214	216	..
Clothing	78	124	330	392	364	350	374	352	340	335	341	350	..
Fuel & light	51	118	156	190	214	218	220	221	228	229	232	232	..
Metals & electrical materials	49	115	218	270	259	254	261	258	260	268	269	271	..
Building materials	52	105	154	234	249	275	257	260	276	254	261	260	..
INDIA													
General index	104	109	120	105	107	111	107	108	107	104	104	102	100
Food articles	104	110	110	96	102	108	101	100	97	96	95	89	85
Industrial raw materials	108	117	141	105	107	112	104	110	107	98	100	103	101
Semi-manufactured articles	104	108	119	109	113	115	112	113	114	112	111	110	110
Manufactured goods	101	102	116	111	108	108	107	108	112	111	111	111	110
INDONESIA (Djakarta)													
General index (imported goods)	123	253	349	331	352	355	347	352	367	397	..	..	..
Provisions	90	180	295	368	438	453	458	455	473	471	..	..	..
Textile goods	194	351	319	260	292	290	272	273	292	342	..	..	..
Chemicals	88	221	373	341	377	380	369	383	391	384	..	..	..
Metals	95	220	381	388	369	367	351	349	364	378	..	..	..
JAPAN[c]													
General index	163	193	268	273	275	277	280	284	272	267	268	271	268
Edible farm products	178	207	258	286	306	308	307	339	344	347	338	341	340
Other foodstuffs	164	159	175	180	177	177	176	186	187	186	190	190	189
Textiles	215	262	364	290	288	300	292	288	259	256	256	256	254
Chemicals	138	180	250	269	246	239	239	238	233	221	218	218	218
Metal & Machinery	143	214	426	415	391	390	389	386	373	355	351	349	349
Building materials	141	165	243	266	317	330	346	350	329	322	328	325	315
Fuels	150	170	203	257	256	247	258	258	239	237	240	254	264
Producers' goods	155	200	308	317	320	324	326	326	309	300	300	302	299
Consumers' goods	172	185	225	227	226	228	232	238	232	231	232	235	234
KOREA (Pusan, Seoul, 1947 = 100)[d]													
General index	..	..	2,194*	4,751	5,951	6,070	5,970	6,059	6,388	8,157	9,941	9,753	..
Food grains	..	..	2,064*	7,305	7,567	8,292	5,812	4,896	5,140	6,718	7,242	7,385	..
Textile raw materials	..	..	1,795*	2,478	3,741	3,641	4,328	4,971	5,672	6,572	8,151	8,949	..
Textiles	..	..	1,763*	2,052	3,048	2,855	4,248	4,150	4,592	5,876	7,107	6,586	..
Building materials	..	..	2,616*	3,923	7,683	7,363	9,819	10,054	11,294	13,481	17,764	18,647	..
Fertilizers	..	..	6,136*	7,987	8,449	8,449	8,449	8,449	8,449	8,449	8,449	8,449	..
PHILIPPPINES (Manila, 1949 = 100)													
General index	100	97	109	100	99	97	99	95	93	93	92	93	93
Food	100	89	98	95	90	90	90	86	86	88	86	87	87
Crude materials	100	108	113	90	112	104	112	108	96	92	95	95	95
Mineral fuels	100	100	107	113	108	107	106	106	106	105	104	104	104
Chemicals	100	101	130	111	108	105	104	105	105	101	101	100	100
Manufactured goods	100	119	158	125	114	113	113	111	111	110	108	107	107
Domestic products	100	93	101	93	93	92	94	90	87	88	87	88	88
Exported products	100	110	113	90	110	101	110	107	96	91	93	94	94
Imported products	100	122	153	136	129	127	127	126	126	125	123	122	121
THAILAND[e] (Bangkok)													
General index	94	96	104	109	102	104	100	100	100	98	99	99	..
Agricultural produce	92	112	131	117	97	102	91	90	92	94	100	102	..
Foodstuff	93	88	88	106	108	109	106	106	106	100	98	97	..
Clothes	92	87	102	93	71	70	70	70	70	70	72	72	..
Fuel	90	96	103	105	104	105	106	105	101	112	112	112	..
Metal	139	122	143	137	102	101	104	103	98	92	97	105	..
Construction material	111	121	138	149	153	152	156	156	155	155	158	162	..
VIET-NAM (Saigon-Cholon, 1949 = 100)													
General index	100	98	117	132	152	168	168	157	155	162	169	166	162
Rice & paddy	100	84	90	141	157	167	163	130	120	136	146	135	128
Other food products	100	101	112	127	166	188	190	197	189	191	190	191	192
Fuel & mineral products	100	113	117	118	144	161	168	171	171	172	172	172	172
Raw materials	100	141	201	152	168	186	178	176	192	198	216	217	221
Semi-finished products	100	95	117	125	145	165	171	170	167	171	181	183	179
Manufactured products	100	84	113	99	116	130	133	137	143	140	139	140	133
Local products	100	101	119	142	160	174	171	155	152	162	171	166	163
Imported products	100	93	113	112	138	158	160	161	163	163	164	165	160

a. Original base: *Burma*, 1938-40; *India* Sep 1938-Aug 1939; *Indonesia*, 1938; *Japan*, 1934-36; *Thailand*, Apr 1938-Mar 1939.
b. New Taiwan dollar has been introduced since 15 Jun 1949. Index for 1949 relates to average of Jul-Dec.
c. Revised figures since 1953.
d. Figures from 1949-1953 relate to Pusan, from 1954 onwards Seoul.
e. Agricultural produce includes paddy, rice meal, copra, rubber, etc.; foodstuff includes milled rice, pork, banana, etc.

11. INDEX NUMBERS OF COST OF LIVING

1948 = 100[a]

	1949	1950	1951	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
BURMA (Rangoon)													
All items	135	114	112	107	104	107	102	96	103	105	98	..	..
Food	142	120	120	115	111	116	111	103	113	115	104	..	..
CEYLON (Colombo)													
All items	99	105	109	108	110	113	110	109	110	109	109	110	110
Food	104	112	112	110	117	122	118	116	117	116	117	118	119
CHINA (Taipei, Jan-Jun 1950=100)													
All items	..	106	139	179	211	223	219	218	218	210	213	212	..
Food	..	100	109	139	176	192	183	185	185	171	177	173	..
HONG KONG													
All items	112	117	128	129	130	135	135	129	125	130	127	123	..
Food	119	127	136	136	143	152	152	142	134	141	135	128	..
INDIA													
All-India (Interim index)													
All items	103	103	107	105	108	113	107	105	105	104	104	101	*100*
Food	104	105	108	107	112	119	111	107	106	106	..	..	..
Bombay													
All items	101	103	109	111	120	123	120	117	118	120	120	119	118
Food	105	109	115	118	130	135	129	123	126	129	128	..	..
Delhi													
All items	100	100	108	108	106	109	108	105	106	103	107	106	102
Food	101	101	112	110	110	114	113	107	108	104	112	..	..
INDONESIA (Djakarta)													
Food	97	113	189	199	211	214	215	221	220	222	225	236	249
JAPAN (Urban)													
All items	132	123	143	150	160	162	167	170	171	172	173	169	..
Food	125	112	130	134	142	145	149	153	154	157	157	151	..
KOREA (Seoul, 1947=100)													
All items	195	565	..	4,841	7,384	7,782	8,273	8,701	8,506	10,090	12,582	..	..
Food	178	612	..	5,969	7,797	8,169	7,429	8,294	8,194	9,243	10,383	..	..
LAOS (Vientiane, Dec 1948=100)[r]													
All items	106	105	113	157	212	236	238	251	269	265	256	257	256
Food	103	99	102	153	218	254	247	257	278	272	258	255	253
MALAYA (Federation)													
Chinese													
All items	94	101	133	138	133	133	133	131	126	123	123	123	123
Rice & rice equivalents	90	84	89	95	100	100	100	97	91	89	88	88	87
Indian													
All items	94	99	132	136	131	131	128	123	118	116	116	116	116
Rice & rice equivalents	95	90	98	105	112	113	114	106	101	100	100	100	99
Malay (Jan 1949=100)													
All items	98	108	136	138	134	134	134	130	126	123	123	124	124
Rice & rice equivalents	98	97	104	110	118	120	120	112	106	104	104	104	104
PAKISTAN (Apr 1948–Mar 1949=100)													
Karachi													
All items	98‡	95	99	101	112	112	112	112	109	110	111	110	109
Food	..	93	99	103	111	111	111	110	106	109	111	109	110
Narayanganj													
All items	103‡	98	102	110	109	118	109	92	90	90	94	90	88
Food	..	97	101	112	109	119	108	84	87	89	88	83	81
PHILIPPPINES (Manila)													
All items	94	91	97	93	87	87	87	84	85	88	87	87	87
Food	93	86	94	90	81	81	80	76	78	83	81	82	82
THAILAND (Bangkok)													
All items	96	99	110	123	135	141	140	140	140	129	129	126	128
Food	95	97	106	119	131	137	136	134	135	118	118	114	118
VIET-NAM (Saigon, 1949=100)													
All items	100	102	116	142	181	197	201	203	198	203	209	209	209
Food	100	96	104	141	178	190	187	188	182	189	197	197	196

GENERAL NOTE: All figures are applicable to working class except the following countries: *China*, public servants; *Hong Kong*, clerical and technical workers; *Indonesia*, government employee; *Japan*, whole population; *Korea*, urban working class; *Laos*, middle class; Thailand, low salaried workers and civil servants.

a. Original base: *Burma*, 1939; *Cambodia*, Jan-Jun 1939; *Ceylon*, Nov 1942 for 1943-52 and 1952 since 1952; *Hong Kong*, Mar 1947; *India*, 1944 for All-India and Delhi, Jul 1933-Jun 1934 for Bombay; *Indonesia*, 1938; *Japan*, 1951; *Malaya* (Chinese and Indian), Jan 1947; Philippines, 1941; *Thailand*, Apr 1938-Mar 1939.

12. EMPLOYMENT AND WAGES

Base for index Numbers, 1948[a]

	1948	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
CEYLON													
Index of wages													
Tea and rubber estate workers[b]	100	119	147	149	151	152	152	150	150	157	159	161	161
Government workers (Colombo)[c]	100	106	115	115	116	116	116	116	116	116	116	116	116
Index of real wages													
Tea and rubber estate workers[b]	100	112	132	134	133	131	134	134	133	141	141	143	143
Government workers (Colombo)[c]	100	102	106	106	98	96	98	99	98	99	98	98	98
CHINA (Taiwan only)													
Employment[d] (1,000)													
Mining	78.9	43.0	50.4	56.1	57.3	58.5	57.3	54.4	52.2	51.1	..	..	..
Manufacturing[e]	113.5	130.3	162.6	208.5	237.6||[e]	72.4	77.3	78.0	78.6	75.5	..	..	..
Index of earnings[f] (1950=100)													
Mining	..	100	172	282	288	285	306	296	290	..	..	..	..
Manufacturing	..	100	168	246	307	294	328	358	336	..	..	..	..
Index of real earnings[f] (1950=100)													
Mining	..	100	116	146	132	128	140	134	138	..	..	..	..
Manufacturing	..	100	113	127	140	132	150	162	160	..	..	..	..
INDIA													
Employment[g] (1,000)													
Factories under Factory Act	2,380	2,504	2,537	2,443	2,908[u]	..	..	..	..	..	..	..	..
Cotton mills	644	677	714	741	744	753	748	735	736	744	..	..	..
Coal mines[h]	308	350	339	342	338	328	328	338	325	325	329	..	..
Central government[i]													
Office workers	..	184	198	209	213	214	213	215	218	219	219	..	..
Manual workers	..	394	393	406	403	404	403	403	408	410	410	..	..
Wages or earnings (Rs.)													
Cotton mills[j] (Bombay)	..	83.56	87.28	89.26	95.96	99.04	97.28	94.75	93.79	97.75	96.62	..	..
Coal mines[k] (Jharia)	2.41[t]	2.40[t]	12.67	13.03	13.18	12.25	13.59	13.94	14.53	14.21	13.88	..	..
JAPAN													
Employment[m] (Mn.)													
All industries	34.60	35.72	36.22	37.28	39.25	39.75	40.28	36.79	40.91	40.35	41.59	40.51	..
Agriculture, forestry & hunting	16.37	17.41	16.17	16.37	17.13	18.21	17.76	13.81	18.07	17.90	19.13	17.06	..
Other industries	18.22	18.31	20.05	20.92	22.12	21.54	22.32	22.98	22.84	22.45	22.47	23.45	..
Mining	0.60	0.49	0.51	0.61	0.62	0.66	0.59	0.55	0.57	0.55	0.68	0.67	..
Manufacturing	6.32	6.23	6.29	6.53	6.74	6.47	6.68	7.14	6.94	6.75	6.46	6.86	..
Index of earnings[n]													
Mining	100	166	212	263	299	302	319	270	294	322	296	290	..
Manufacturing	100	208	267	315	357	361	420	346	361	383	340	350	..
Index of real earning[n]													
Mining	100	135	148	175	187	186	192	159	173	188	172	172	..
Manufacturing	100	170	187	210	222	223	252	204	212	223	196	207	..
Daily money wages of agricultural labour, male (Y.)	185	201	209	230	257	263	276	260	292	293	297	315	280
KOREA													
Index of earnings[f] (Seoul)													
All industries	100	489	2,691	7,157	11,735	12,816	15,965	17,277	19,589	24,346	..	..	..
MALAYA (Federation)													
Employment[p] (1,000)	461	462	499	505	497	..	..	..	..	..	..	..	..
PHILIPPINES													
Index of employment[q] (1949=100)													
Mining	..	120	143	150	138	144	121	110	109	106	..	..	..
Manufacturing	..	98	99	99	109	106	109	118	116	113	..	..	..
Index of wages[s] (Manila)													
Skilled	100	102	96	97	99	99	99	100	99	100	100	..	..
Unskilled	100	91	99	105	108	108	109	107	106	107	108	..	..
Index of real wage (Manila)													
Skilled	100	110	97	102	111	111	111	115	115	110	109	..	..
Unskilled	100	99	101	112	122	123	123	125	123	119	119	..	..
THAILAND													
Employment—Mining[g] (1,000)	10.42	13.46	14.37	14.94	16.07	15.77	14.94	14.13	14.10	15.17	15.67	..	..
VIET-NAM													
Daily wages§ (Saigon-Cholon, Pr.)													
Skilled	..	29.10[u]	36.30	41.20	54.45	..	54.45	..	..	..	..	..	..
Unskilled (male)	..	16.40[u]	20.50	22.80	31.75	..	31.75	..	..	..	..	..	..

a. Original bases for wages or earnings index: *Ceylon*, 1939; *Japan*, 1947; *Korea*, 1936; *Philippines*, 1941.
b. Daily rates of minimum wages (basic wages plus special allowance).
c. Monthly wage rates for unskilled manual workers in government employment.
d. Staffs and permanent workers employed by government-owned and private enterprises. Figures relate to end of period.
e. Quarterly and monthly indexes exclude private manufacturing industries.
f. Daily average of wages and allowances including payment in kind.
g. Daily averages.
h. Average daily employment in all coal mines governed by the Indian Mines Act. Monthly figures are slightly short of total coverage.
i. Central Government establishments exclude railways. Office workers comprise administrative, executive and clerical staffs; manual workers comprise skilled, semi-skilled and unskilled workers. Figures relate to end of period.
j. Monthly minimum wages (basic wages plus dearness allowance).
k. Average weekly earnings (basic wages plus dearness allowance and other payments) of underground miners and loaders in coal mines.
m. Before August 1950, average for calender week beginning first Sunday of each month. From August 1950, average for the week ending on the last day of the month, except for December when the week prior to holiday seasons was chosen.
n. Average monthly cash earnings per permanent worker.
p. Number employed by government departments, estates, mines, factories and some miscellaneous establishments. Figures for 1950-53 relate to end of June.
q. Comprises all full and part-time employees of 734 cooperating establishments in the Philippines who were on the payroll, i.e., who worked during, or received pay for, the pay period ending nearest the 15th of the month. Excluding proprietors, self-employed persons, domestic servants and unpaid workers.
s. Daily average wage rates of all classes of workers.
t. Average daily earnings in December.
u. First half only.

13. CURRENCY AND BANKING

	1948	1950	1951	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
BURMA (Mn. K.)													
Money supply	505	552	607	641	828	868	828	1,010	964	..	..	..	..
Currency: net active	335	358	398	413	506	537	506	688	624	575	556	547	576
Deposit money	169	194	210	228	322	331	322	323	340	..	..	..	..
Loans, advances and bills discounted (commercial banks)	68	130	159	151	142	130	142	164	144	138	150	151	163
Bank clearings	151	138	151	181	234	242	217	261	225	241	236	226	249
Foreign assets													
Union Bank of Burma	358	556	748	940	991	1,045	991	920	864	644	583	575	..
Government	20	9	10	5	14	58	14	9	5	..	35	40	..
Commercial banks	48	41	33	49	67	83	67	61	70	73	99	87	..
Rates of interest (% per annum)													
Call money rate	..	..	1.04	1.64	1.10	0.75	0.58	0.92	1.00	1.00	1.00	1.00	1.00
Yield of long term gov't bonds	..	3.00*	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Internal gov't debt[b] held by													
Union Bank of Burma	16	20	22	16	6	6	6	6	6	15	15	15	15
Commercial banks	8	27	31	25	68	71	68	61	86	99	165	196	176
Gov't deposits and cash in hand													
Central gov't deposits with the Union Bank of Burma	2	57	77	50	4	4	4	53	2	2	31	9	8
Cash in Government Treasury	15	5	5	3	11	4	11	9	8	9	..	..	..
CAMBODIA, LAOS AND VIET-NAM (1,000 Mn Pr.)													
Money supply	..	..	..	10.92	12.52	11.56	12.52	14.02	13.75	14.02	14.21	14.25	..
Currency: in circulation	..	..	..	7.67	9.19	8.55	9.19	10.25	10.61	10.74	10.63	10.38	10.69
Deposit money (commercial banks only)[c]	..	..	..	3.25	3.32	3.01	3.32	3.76	3.14	3.29	3.58	3.87	..
Loans and advances (commercial banks)	..	..	..	1.01	1.67	1.48	1.67	1.71	1.64	1.69	1.64	1.70	..
Foreign assets of l'Institut d'emission	..	..	..	0.68	1.67	0.89	1.67	2.39	2.39	2.27	2.05	1.62	2.53
Rate of interest (% per annum)													
Treasury bill rate	..	..	..	2	2	2	2	2	2	2	2	2	2
States treasury bills outstanding[d]	..	..	..	0.30	1.20	1.05	1.20	1.25	1.28	1.78	1.78	1.78	3.00
CEYLON (Mn Rs.)													
Money supply	607	911	1,006	894	827	824	826	810	856	881	921	931	957
Currency: net active	241	326	377	357	335	350	335	325	334	350	349	345	342
Deposit money	366	585	629	538	492	474	492	485	522	532	572	587	615
Loans, advances and bills discounted (commercial banks)	..	182	257	241	253	261	253	258	289	286	289	302	307
Bank clearings	391	549	691	688	671	723	642	648	625	708	744	757	768
Foreign assets													
Central Bank of Ceylon	460	565	668	401	245	302	245	329	446	468	484	501	524
Government[e]	380	342	367	376	294	295	294	289	274	267	269	275	278
Commercial banks	174	233	209	114	110	97	110	107	118	142	156	160	154
Rates of interest (% per annum)													
Call money rate	..	..	0.50*	0.50	0.96	1.33	1.50	1.50	1.33	1.12	1.12	1.12	1.12
Treasury bill rate[f]	0.22	0.87	0.48*	0.72	1.91	2.47	2.48	2.46	2.10	0.93	0.85	0.86	0.87
Yield of long term gov't bonds[g]	2.94	3.04	2.81	2.93	3.85	4.38	4.38	4.07	3.90	3.62	3.55	3.59	3.56
Internal government debt held by													
Central Bank of Ceylon	..	19	17	161	223	216	223	126	48	84	42	20	27
Commercial banks	184	271	235	302	284	283	284	280	271	291	296	302	310
Gov't deposits and cash in hand													
Government deposits with the Central Bank of Ceylon	..	12	31	6	—	—	—	—	15	8	1	5	9
Currency held by government	4	6	6	5	6	4	6	4	5	4	5	4	8
CHINA (Taiwan only, Mn NT$)													
Money supply	..	690	790	1,129	1,469	1,239	1,469	1,394	1,623	1,674	1,488	..	..
Currency outstanding	..	288	473	705	943	768	943	870	926	994	815	..	..
Deposit money	..	402	317	424	526	471	526	524	697	679	673	..	..
Loans, advances and bills discounted (banks other than the Bank of Taiwan)[h]	..	84	138	342	625	520	625	723	779	940	901	..	..
Bank clearings	..	138	418	862	1,740	1,813	1,598	1,468	1,596	1,718	1,979	..	..
Rate of interest (% per annum)													
Call money rate	..	16.42	10.80	10.80	9.0	7.20	7.20	7.20	7.20	7.20	7.20	..	..
Government deposits held by the Bank of Taiwan	..	349	626	776	1,173	1,130	1,173	1,337	1,301	1,449	1,419	..	..
HONG KONG (Mn HK$)													
Money supply													
Currency outstanding (notes)	783	808	800	802	802	803	802	804	726	727	727	727	..
Bank clearings	689	1,199	1,506	1,195	1,035	933	1,065	1,036	1,104	1,164	1,128	1,174	..

13. CURRENCY AND BANKING (*Cont'd*)

	1948	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
INDIA (1,000 Mn Rs.)													
Money supply	18.84[z]	18.34	17.73	16.83	17.15	16.70	17.15	18.45	18.10	..	..	..	..
Currency: net active	12.17[z]	12.03	11.70	11.22	11.53	10.99	11.53	12.18	12.10	..	..	..	..
Deposit money	6.67[z]	6.30	6.03	5.61	5.62	5.71	5.62	6.27	6.00	..	..	..	..
Advances and bills discounted[i] (scheduled banks)	4.42	4.45	5.54	4.85	4.61	4.60	4.61	5.38	5.28	4.99	4.97	4.92	5.10
Bank clearings	5.55	5.25	6.56	5.71	5.49	5.28	5.55	6.01	5.68	5.69	5.37	6.51	6.64
Gold and foreign assets of the Reserve Bank of India	10.67	8.74	8.21	7.46	7.63	7.39	7.63	7.93	7.84	7.71	7.65	7.61	7.71
Rates of interest (% per annum)													
Call money	0.50	0.58	1.01	2.02	2.12	1.46	1.54	2.88	2.83	1.88	1.38	1.12	3.00
Yield of long term gov't bonds[j]	..	3.11	3.39	3.69	3.64	3.65	3.65	3.63	3.65	3.62	..	..	..
Internal government debt held by													
Reserve Bank of India[k]	4.38	5.40	5.77	5.53	4.98	5.08	4.98	4.88	5.07	5.14	5.14	5.07	4.95
Scheduled banks	4.26	3.57	3.06	3.23	3.36	3.34	3.36	3.19	3.27	3.46	3.50	3.02	3.00
Non-scheduled banks	0.11	0.10	0.09	0.21	0.14	0.20	0.14	0.20	0.21	0.21	0.21	..	..
Government deposits held by the Reserve Bank of India	2.14	1.64	2.10	1.75	1.10	1.37	1.10	0.66	1.64	1.41	1.03	0.79	0.55
INDONESIA (Mn Rp.)													
Money supply	3,008	4,392	5,132	6,719	7,642	7,467	7,642	8,014	8,814	9,765	10,103	10,480	..
Currency: net active	1,643	2,582	3,328	4,349	5,218	5,034	5,218	5,335	6,115	6,570	6,841	7,038	..
Deposit money	1,365	1,810	1,804	2,370	2,424	2,383	2,424	2,680	2,698	3,214	3,262	3,442	..
Loans, advances and bills discounted (all banks)[m]	266	682	2,152	2,445	2,394	2,482	2,394	2,605	3,661	2,495	2,643	2,729	..
Gold and foreign assets of the Java Bank[n]	547	1,349	1,939	1,780	2,397	2,521	2,397	2,143	1,752	2,205	2,383	..	..
Advances to government by the Java Bank	..	2,761	1,317	4,555	5,272	4,716	5,272	6,126	7,249	8,013	7,990	8,249	8,315
Gov't deposits with the Java Bank	..	..	..	496	495	495	495	495	495	495	495	495	495
JAPAN (1,000 Mn Y.)													
Money supply	696	966	1,266	1,636	1,826	1,589	1,826	1,685	1,634	1,658	1,650	..	..
Currency: in circulation	338	409	492	554	610	487	610	499	505	485	506	..	..
Deposit money	357	557	774	1,082	1,216	1,102	1,216	1,186	1,129	1,173	1,144	..	..
Loans, advances and bills discounted (all banks other than the Bank of Japan)	385	997	1,526	2,022	2,563	2,417	2,563	2,567	2,628	2,735	2,751	2,792	2,882
Bank clearings	236	808	1,232	1,624	2,080	1,944	2,367	2,347	2,366	2,372	2,400	2,465	3,034
Gold and foreign assets													
Bank of Japan	..	..	..	18	18	18	18	18	18	18	18	18	..
Government	..	204	334	379	304	321	304	249	246	286	304	321	..
Other banks	..	2	1	23	44	44	44	38	35	31	30	32	..
Rates of interest (% per annum)													
Call money rate (Tokyo)	..	6.40	7.12	8.05	7.82	7.67	7.30	7.30	8.03	8.03	8.03	8.03	8.03
Yield of long term gov't bonds[p]	..	..	5.50	5.50	6.68	6.71	9.03	9.05	6.32	6.32	—	—	6.32
Internal government debt held by													
Bank of Japan[q]	331	200	166	324	326	176	326	191	204	202	290	380	485
All other banks	80	37	38	39	46	38	46	46	46	46	46	46	46
Government deposits with the Bank of Japan	14	48	32	92	60	129	60	108	63	42	43	54	56
KOREA (South, 1,000 Mn H.)													
Money supply	0.53	2.52	6.50	12.13	26.51	21.34	26.51	30.35	38.05	43.01	43.70	..	..
Currency: in circulation	0.41	2.23	5.39	9.74	22.43	17.31	22.43	24.17	30.31	33.52	34.86	..	..
Deposit money	0.12	0.29	1.10	2.39	4.08	4.04	4.08	6.18	7.74	9.50	8.84	..	..
Loans, advances and bills discounted[s]	0.43	0.46	1.93	5.78	15.41	12.28	15.41	16.62	13.03	15.21	..	..	..
Bank clearings	0.21	0.41	2.40	13.69	21.37	21.19	30.90	34.51	46.47	57.15	..	..	..
Gold and foreign assets													
Bank of Korea	..	0.78[r]	2.34	4.79	18.38	6.12	18.38	18.77	19.07	17.45	..	..	..
Government[t]	..	0.58	1.79	2.64	2.68	1.08	2.68	1.99	3.02	1.51	..	..	..
Internal government debt held by													
Bank of Korea[r]	..	3.76	8.42	11.96	24.11	23.48	24.11	34.12	41.82	58.31	..	..	..
All other banks	..	..	0.06	0.14	0.54	0.44	0.54	0.60	0.77	0.86	..	..	..
Treasury deposits with the Bank of Korea	0.11	0.85	1.86	6.01	12.32	14.04	12.32	17.51	11.95	14.66	..	..	..
Exchange rate: Hwan to US$ (green backs)	11§	50§	105§	257§	286	270	342	426	513	673	648	656	711
MALAYA (Mn M$)													
Money supply	899	1,402	1,731	1,620	1,486	1,451	1,486	1,503	1,488	1,520	..	..	..
Currency notes: net active[u]	302	515	654	630	651	620	651	621	622	648	..	..	..
Deposit money	598	887	1,077	989	835	831	835	882	867	871	873	875	..
Loans and advances of commercial banks	259[r]	461[r]	451[r]	484	437	466	437	469	461	482	484	492	..
Debits to current deposit accounts	..	..	4,167	3,396	2,946	2,850	2,829	2,682	2,766	2,856	2,879	2,940	..
Federation Treasury bills held by banks	30	23	26	14	10	11	10	10	10	10	5	10	..

	1948	1950	1951	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
PAKISTAN (Mn Rs.)													
Money supply	2,698	2,964	3,755	3,220	3,568	3,302	3,568	3,706	3,671	3,588	3,694	3,785	3,856
Currency: in circulation	1,708	1,992	2,467	2,151	2,372	2,172	2,372	2,496	2,418	2,349	2,393	2,469	2,575
Deposit money[v]	990	973	1,288	1,069	1,196	1,210	1,196	1,211	1,253	1,239	1,300	1,315	1,281
Loans, advances and bills discounted (scheduled banks)	410	770	919	792	781	640	781	826	789	790	877	950	963
Bank clearings[w]	326[e]	460	551	534	536	517	582	615	492	528	612	..	592
Gold and foreign assets of the State Bank of Pakistan[x]	1,629	1,188	1,627	933	935	925	935	1,065	945	912	912	945	1,038
Rates of interest (% per annum)													
Call money rate	..	1.01	1.02	2.10	1.01	0.25	0.68	2.04	0.86	0.56	1.20	2.09	1.88
Yield of long-term gov't bonds[y]	..	2.96[e]	2.98	2.98	3.06	3.10	3.14	3.14	3.13	3.14	3.14	3.15	3.15
Internal government debt held by the State Bank of Pakistan	176	811[f]	864	1,214	1,250	1,153	1,250	1,300	1,419	1,387	1,441	1,464	1,479
Government deposits with the State Bank of Pakistan	923	661	582	377	216	417	216	325	172	260	255	222	173
PHILIPPINES (Mn P.)													
Money supply	1,145	1,148	1,053	1,089	1,105	1,049	1,105	1,124	1,082	1,080	1,083	..	..
Currency: net active	571	669	639	624	661	608	661	655	630	645	652	..	..
Deposit money	574	479	414	465	444	440	444	470	452	434	431	..	..
Loans, advances and bills discounted (all banks other than the Central Bank)	511	508	686	694	773	733	773	769	792	813	834	..	..
Bank clearings	381	462	457	480	520	623	528	568	558	523	536	548	..
Debits to checking accounts	772	674	733	686	743	727	732	806	830	807	804	..	..
Gold and foreign assets													
Central Bank of the Philippines	800	592	488	472	481	486	481	482	493	475	464	440	..
Other banks	126	148	145	162	134	144	134	175	128	158	153	..	..
Internal government debt held by													
Central Bank of the Philippines	..	158	242	235	230	228	230	240	240	224	226	226	..
Other banks	13	41	35	56	58	55	58	57	87	102	104	103	..
Gov't deposits and cash in hand													
Deposits with Central Bank	..	19	153	98	45	92	45	48	50	41	44	41	..
Deposits with Philippine National Bank	..	81	46	59	95	89	95	100	124	135	126	..	..
Cash in Treasury vaults	..	4	6	7	5	3	5	4	4	4	5	5	..
THAILAND (Mn Baht)													
Money supply	2,881	3,957	4,907	4,932	5,438	5,145	5,438	5,686	5,420	5,674	..	..	..
Currency: net active	2,205	3,043	3,756	3,678	4,016	3,823	4,016	4,172	4,039	4,247	..	..	..
Deposit money	676	924	1,151	1,254	1,422	1,322	1,422	1,514	1,381	1,426	..	..	..
Loans, advances and bills discounted (commercial banks)	414	592	741	1,202	1,649	1,659	1,649	1,781	1,846	..	..	..	..
Bank clearings	774	1,544	2,057	2,270	2,356	2,326	2,250	2,367	2,367	2,136	2,108	2,331	2,327
Debits to sight deposit accounts	..	1,973	2,786	2,989	3,196	3,098	2,999	3,432	2,980	..	..	..	..
Gold and foreign assets of the Bank of Thailand	2,180	3,641	4,511	4,434	3,782	4,123	3,782	3,641	3,320	3,327	3,354	3,401	3,497
Rates of interest (% per annum)													
Treasury bill rate	1.32	2.02	2.10	2.17	2.25	2.24	2.30	2.27	2.25	2.26	2.30	2.30	..
Internal government debt held by													
Bank of Thailand	18	155	166	261	247	220	247	281	278	219	224	220	191
Commercial banks	150	116	118	102	174	120	174	129	151	..	..	..	..
Government deposits with Bank of Thailand	392	317	423	396	698	615	698	642	671	440	330	376	439
Exchange rate: Baht to US$ (buying rate)	19.69	22.22	21.40	18.64	18.11	17.75	20.36	20.73	21.33	21.34	21.81	21.48	..

GENERAL NOTES: All figures, other than bank clearings rates of interest and exchange rate, relate to the end-of-month, end-of-quarter and end-of-year respectively: bank clearings relate to monthly totals and their averages. Net active currency: Total currency outstanding less holdings in all banks including the central bank and in government treasuries. *Currency in circulation:* Total currency outstanding less holdings in all banks including the central bank. *Deposit money:* Deposits in all banks (including central bank) withdrawable by cheques but excluding inter-bank liabilities and central government deposits. *Bills discounted:* Excluding treasury bills. *Bank clearings:* Total value of cheques and other collection items cleared through clearing houses. *Gold and foreign assets:* Gross holdings of gold, foreign exchange and other liquid foreign investments. *Rates of interest:* All rates are those prevailing in the capital city of each country except in India where rates in Bombay have been taken. *Call money rate:* Relates to inter-bank rate on money at call.

a. Beginning July 1952 includes foreign assets of the Burma Currency Board.
b. Treasury bills and 3 year and 5 year government bonds.
c. Includes in addition to deposits by business concerns and individuals, the deposits of Indochinese branches of the French National Treasury, and of the Autonomous Amortization Fund.
d. Treasury bills of Cambodia and Viet-Nam only.
e. Includes War Loan re-lent to U.K. Government, less the part by Central Bank.
f. Weighted average of tender rates on bills issued within the period.
g. Yield of a per cent national development loan 1965-70 calculated to earliest redemption date.
h. Includes the Land Bank, Cooperative Treasury and three commercial banks.
i. Includes bills purchased.
j. Yield of 3 per cent paper (running yield) to earliest redemption date.
k. Includes loans & advances to government.
m. The Java Bank, Bank Negara Indonesia, Bank Industri Negara and seven commercial banks.
n. Devaluation took effect on 4 Feb 1952 but foreign assets and gold holdings were not revalued until 6 Feb 1952 and 13 May 1953 respectively.
p. Weighted yield (simple rate of interest) to latest redemption date of medium dated government bonds issued during the period stated. Figure for 1951 relates to average of 4 months Sep-Dec.
q. Includes advances to government.
s. Excluding the Bank of Korea, Reconstruction Bank and trust account of the trust Bank.
t. Figures shown are on a net basis.
u Figures include British Borneo.
v. Prior to April 1952 includes inter-bank liabilities.
w. Figures relate in 1948 and 1949 to 3 clearing houses in principal towns, from Jan 1950-Jan 1952 to clearing houses in 4 towns and from Feb 1952 in 5 towns.
x. Including outstanding assets receivable from the Reserve Bank of India, under the partition agreements, but excluding foreign assets of Banking Department.
y. Yield to maturity of 3 per cent bonds 1948.
z. March.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE FOURTH QUARTER 1954 & THE FIRST QUARTER 1955

I. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Methods of payment	Remarks
Burma—Japan	Through 1955	Total value: not specified. Burma: 220,000 tons of standard grade rice at £45 per ton f.o.b., other agricultural and forest products, minerals, etc. Japan: Textiles, cotton yarn, chemicals, electrical equipment, machinery, construction steel, non-ferrous metals, coastal ships and river crafts, etc.	Payment is to be made in pound sterling.	Signed in Tokyo on 19 December 1954. This agreement is in accorddance with the Burma-Japan Arrangement for sale and purchase of Burmese rice signed on 8 December 1953.
China (Mainland)—Korea (North)	Through 1955	Total value: not specified. China: rolled steel and cotton yarn, besides other aid-goods which include building materials, communication equipment, metal products, freight waggons, machinery, raw materials for chemical industries textile industry equipment, coal, cotton fabrics and paper. Korea: electric power, minerals, marine products, fruits, etc.	Method of payment has not been specified.	Signed on 31 December 1954. A protocol on China's aid to Korea between 1955 and 1957 amounting to PBY8,000,000 million was also signed on the same day.
Philippines—Japan	18 September 1954—31 January 1955.	Total value: $100 million annually for two-way trade. Philippines: iron, manganese and chrome ores, timber, logs, rattan, mangrove bark, molasses, sugar, copra, and coconut oil, gumcopal, kapok, shells, abaca, huffalo hides, hide fleshings, etc. Japan: textiles, iron and steel products, machinery and parts, cement, wire coils, chemicals, etc.	Trade is conducted on the dollar "open account" basis. A swing limit of $2.5 million is payable on demand of the creditor party. (See *Bulletin* Vol. II, No. 2 and Vol. V No. 2).	Signed on 16 September 1954. This is the tenth extension in order to provide for continuity of the existing trade relations with Japan based on the original trade agreement which was signed on 29 May 1950. The ninth extension expired on 17 September 1954.

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES

Afghanistan—U.S.S.R.	Not specified	Total value: not specified. Afghanistan: wool, raw cotton, leather and oil products. U.S.S.R.: paraffin, metals, sugar, cotton goods, motor cars, and industrial equipment.	Not specified.	Signed on 29 November 1954.
China (Mainland)—Bulgaria	Through 1955	Total value: not specified. China: tung oil, hog bristles, tea, asbestos, etc. Bulgaria: agricultural machinery, non-ferrous metals, chemicals, fertilizers, etc.	Not specified.	Sign in January 1955.
China (Mainland)—Mongolia	Through 1955	Total value: not specified. China: silk goods, fruits, general commodities, and equipment for porcelain factories. Mongolia: horses, raw hides and other animal products.	Method of payment has not been specified.	Signed on 29 December 1954.
China (Mainland)—Rumania	Through 1955	Total value: not specified. China: minerals, animal and egg products, silk piece goods, consumer goods, tung oil, and other raw materials. Rumania: electrical equipment, petroleum, chemical materials, machinery, consumer goods, etc.	Method of payment has not been specified.	Signed on 20 January 1955.
China (Mainland)—U.S.S.R.	Through 1955	Total value: not specified. China: non-ferrous metals, soyabeans, rice, nuts, vegetable oils, meat, tea, tobacco, wool, raw silk, silk cloth, raw hides, etc. U.S.S.R.: metallurgical mining and electrical equipment, automobiles, tractors, agricultural machines, road-building machines, construction machines, rolled ferrous and non-ferrous metals, petroleum and chemical products.	China receives goods from the Soviet Union on the basis of the Agreement on Granting of Credit to the People's Republic of China of $300 million.	Sign in December 1954. The agreement is the annual amplification of the 1950 agreement.
India—Czechoslovakia	1 January 1955—31 March 1955	Total value: not specified. India: jute and jute products, iron ore, mica, shellac, hides, coffee, spices, etc. Czechoslovakia: light engineering products, glass, textiles, paper and ceremics.	Payment is to be made in pound sterling.	Letters expressing the desire to extend the existing agreement for a period of 3 months were exchanged in January 1955. (See *Bulletin* Vol. I, No. 2 and Vol. IV, No. 4).
India—U.S.S.R.	Through 1955	Total value: not specified. India: jute tea, coffee, tobacco, shellac, black peper, spices, wool, hides and skins, and vegetable oils. U.S.S.R.: wheat, barley, crude petroleum and petroleum products, fibre, paper, iron and steel products, chemicals, dyestuffs, medicants, optical goods, cinematograph films, industrial and electrical equipment and agricultural machinery.	All payments will be made in Indian ruppes and the State Bank of the U.S.S.R. will maintain accounts with the authorized exchange baks and the Reserve Bank of India for this purpose. Any deficit may be converted into pound sterling on the demand of the creditor party.	Letters expressing the desire to extend for another year a Five-Year Trade Agreement which was signed in December 1953 were exchanged on 24 December 1954. In the ten months ending September 1954, India enjoys a favourable balance of Rs. 15.3 million.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE FOURTH QUARTER 1954 & THE FIRST QUARTER 1955

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES—(Continued)

Contracting parties	Period valid	Value of trade and principal exports	Methods of payment	Remarks
Indonesia—Australia	Through 1955	Total value: A £5.4 million each way. Indonesia: rubber, tobacco, coffee, molasses, tapioca, spices, tea, quinine, wood, kapok, turpentine, etc. Australia: milk and other food products, chemical, pharmaceuticals, textiles, optical and medical instruments, paper and livestock.	Payment is made in Australian pound sterling.	Signed on 27 November 1954. The agreement is retroactive to 1 November 1954. (See *Bulletin*, Vol. III, No. 3).
Indonesia—Denmark	Through 1955	Total value: Indonesia, 130 million Danish crowns; Denmark, 35 million Danish crowns. Indonesia: tin, copra, tea, coffee, etc. Denmark: pharmaceutical articles, combustion engines, electric machinery and appliances.	Not specified.	Signed in January 1955.
Indonesia—Switzerland	Through 1955	Total value: not specified. (See *Bulletin* Vol. IV, No. 1).	Not specified.	Signed on 31 December 1954. Details of the agreement will be published after ratification by the two Governments.
Japan—Argentine	Through 1955	Total value. $90 million each way. Japan: iron and steel products (including tractors and agricultural machinery, drilling equipment and motors in general) and other metals, chemicals, electrical appliances, textiles (including rayon, silk, cotton and wollen fabrics), tea, spices, etc. Argentine: agricultural produce (including corn, barley, wheat, beans, bran, glucose, tapioca, vegetable oils, cotton), animal products, (including frozen and preserved meat, hides and skins, leather goods, bristles and animal hairs, gelatin, wool and tallow), agricultuarl fertilizers, etc.	Trade is conducted on an "Open Account" based on dollar, in accordance with the modified terms and provisions of the 1949 agreement.	Signed on 29 December 1954. (See *Bulletin*, Vol. V, No. 1).
Japan—Brazil	Through 1955	Total value: $68 million each way. Japan: iron and steel products, non-ferrous metals, chemicals, textiles, machinery, ships and agricultrual and aquatic products, etc. Brazil: raw cotton, rice, hides and skins, coffee, soybeans, raw wool and vegetable oils, etc.	Trade is conducted on "Open Account" based on dollar.	Negotiation at final stage, and agreement will probably be concluded before end of 1954. (See *Bulletin*, Vol. III, No. 3).
Pakistan—Yugoslavia	Through 1955	Total value: Pakistan, 3 million pound sterling. Yugoslavia, 3.1 million pound sterling. Pakistan: jute valued at £.520,000, hides and skins valued at £150,000, tea valued at the same amount, other commodities include wool, surgical instruments and hospital equipment, as well as sports goods. Yugoslavia: cotton and woollen fabrics, agricultral machinery, hardware, drugs and medicines, electrical goods, cement, chemicals, dyeing and tanning materials.	Payment is to be made in pound sterling.	Signed in January 1955. The agreement has been ratified by both Governments. The agreement is renewable annually and a 3-month notice is required for its termination by either party.
Viet-Nam—Netherlands	Through 1955	Total value: not specified. Netherlands: 2,000 tons of condensed milk, 35 tons of powdered milk, 35 tons to pasteurized milk, 47 tons of butter, 21 tons of cheese, 20 tons of sugar, and 4 tons of paint.	Payment will probably be made through France which is a member of the European Payments Union.	Signed in December 1954.